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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2223



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**EAST EUROPE REPORT**  
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CSSR-CEMA ECONOMIC RELATIONS SUMMARIZED

Prague DOKUMENTACNI PREHLED in Czech No 42, 1981 pp 42/I 1-6

/Article "Economic Cooperation of the CSSR With the Socialist Countries"/

/Text/ The achievements stemming from methodical and systematic inclusion of Czechoslovak national economy in international socialist division of labor and in the process of socialist economic integration represent one of the main stabilizing factors of Czechoslovak economy. The CSSR actively participates in the fulfillment of the Comprehensive Program for Socialist Economic Integration.

Specialization and cooperation in the production represents the basic form of inclusion of Czechoslovak economy in the process of integration. Specialization and cooperation in the production are developing at present according to valid multi-lateral and bilateral agreements which amount to approximately 300 and of which about 220 are related to machine and electrical engineering and to electronics. On their basis in 1980 alone the CSSR exported to the CEMA countries goods representing specialized and cooperative production in the amount over 1.3 billion convertible rubles, which is an increase to 153.6 percent as compared with 1976.

During the 1970's the CSSR had focused primarily on the development of cooperation and specialization in the engineering production. If in 1976 the total cooperative exports of machinery and equipment from the CSSR amounted to 756.7 million convertible rubles, in 1980 they amounted to as much as 1,149.2 million convertible rubles. Thus, exports of that particular production shared 27.8 percent of all Czechoslovak exports in 1980. From the territorial point of view the highest volume of exports were designated for the Bulgarian People's Republic (33.9 percent), for the GDR (29.3 percent) and for the USSR (28.8 percent).

Above all, agreements on multilateral specialization and cooperation in the production of trucks, motor locomotives, machine tools, equipment for nuclear power plants, tractors and agricultural machinery, antifriction bearings, machinery for textile industry, freight cars, machinery for knitting industry, etc., are of particular importance for Czechoslovak economy. Among bilateral agreements on specialization and cooperation in engineering production, contracts with the USSR on the production of the equipment for nuclear power plants, communication technology, technological units for chemical industry, equipment for food industry, machine tools and forming machinery, pumps, compressors and refrigeration technology are of vital importance for the CSSR. In addition, the contract with the GDR concerning specialization and cooperation in the production of street cars and the contract with the Polish People's Republic on specialization and cooperation in the manufacture of heavy-duty tractors are important.

Development of Czechoslovak Share in Specialization and Cooperation of Production Within the CEMA

	1970	1980
Volume of Czechoslovak exports of specialized production to CEMA states (million rubles) of which:	81	1356
Exports of specialized engineering production (million rubles)	81	1149
Share of Czechoslovak specialized production exported to the CEMA states in total Czechoslovak exports to those states (in percent)	4.9	20.8
Share of Czechoslovak specialized engineering production exported to the CEMA states in exports of Czechoslovak machinery and equipment to those states (in percent)	6.1	27.8

The turnover in our foreign trade with the CEMA member states rose from 4.3 billion rubles in 1970 to 13.2 billion rubles in 1980, while the share of the trade with those states in total foreign trade of the CSSR increased from 64.2 percent to 65.5 percent over the same period. In 1980 engineering products represented the largest share in exports to the CEMA member states (63.2 percent), while fuels, raw materials and materials amounted to 41.8 percent of Czechoslovak imports, the share of machinery and equipment was 41.4 percent, of industrial consumer goods 5.6 percent, and food 4.9 percent.

Structure of Foreign Trade of the CSSR With CEMA States (in percent)

	1970	1980
Czechoslovak exports to CEMA member states		
-Machinery and equipment	59.8	63.2
-Consumer goods	16.0	14.6
-Raw materials and materials	22.8	20.2
-Food	1.4	2.0
Czechoslovak imports from CEMA member states		
-Machinery and equipment	35.2	41.4
-Consumer goods	8.3	5.6
-Fuels, power, raw materials and materials	44.1	48.1
-Food	12.4	4.9

The turnover in Czechoslovak foreign trade with the CEMA member states will increase during the 1981-1985 period by more than 27 percent over the preceding 5-year period. Among Czechoslovak exports engineering products will amount to 66.8 percent and non-engineering products to 33.2 percent, while non-engineering products will slightly predominate among imports.

The CSSR vigorously participates in vital programs of integration, especially in joint production of fuels, power and raw materials. The CSSR participated in construction programs and thus, helped develop oil production in the USSR (1966) production of coal for power engineering in the Polish People's Republic (1958), and built on its own territory the transit gas pipeline transporting Soviet natural gas to the GDR and to some West European states (1970, 1975).

Of considerable importance for joint solution of problems related to fuels and energy are such programs as, for example, the joint construction of the Druzhba oil pipeline, the construction of the Soiuz oil pipeline, and the operation of the interconnected electrical power engineering Mir systems by the CEMA member states, in which the CSSR takes an active part.

The Druzhba oil pipeline makes it possible to transport annually almost the entire volume of crude oil exports from the USSR to the Hungarian People's Republic, GDR, Polish People's Republic and the CSSR. Its participation in the construction of the Soiuz pipeline guaranteed the CSSR supplies of natural gas until 1998, amounting to 2.8 billion cubic meters annually. Czechoslovak participation in the joint construction of the 750 kV power lines between Vinnitsa, USSR, and Alertirsa, Hungarian People's Republic, as a part of the Mir system guarantees the CSSR long-term deliveries of 1.2 billion kWh of electric power annually. Its participation in the joint construction of nuclear power plants in Khmel'nitsa, USSR, and in the construction and operation of the 750 kV power lines leading from that electric power plant to its substation in Rzeszow, Polish People's Republic, guarantees the CSSR annual supply of electric power amounting to 3.6 billion kWh over a 20-year period beginning with 1988.

The CSSR has derived significant benefits from technical assistance rendered by the USSR in the construction of nuclear power engineering facilities. On the basis of appropriate agreements between the CSSR and the USSR concerning cooperation in the building of two nuclear power plants, over the past 2 years 2 VVER power units were successfully put into operation in the nuclear power plant in Jaslovské Bohunice; their total output is 880 MW. Ten additional units are either under construction or in the planning stage.

Supplies of ferrous raw materials are of vital importance for further development of Czechoslovak economy. This problem is now being resolved in close cooperation with the USSR. According to an agreement dating from 1960, the USSR will supply the CSSR until 1986 annually with 1.8 million tons of iron ore and with agreed upon amounts of aluminum, copper, lead and zinc. A 1974 agreement on cooperation in the construction of production and transport facilities in the USSR guarantees the CSSR additional deliveries of said raw materials over an extended period (over 12 years beginning with 1980) in the amount of 1.5 million tons of ferrous raw materials (in conversion to iron) above the volume agreed upon in the contract on the basis of long-term trade agreements. Furthermore, the CSSR participates, for instance, in the construction of two enterprises in Cuba, which after 1985 will supply the Czechoslovak national economy with the needed imports of nickel and cobalt products.

A rapid development of Czechoslovak chemical industry is contingent on close cooperation with the socialist countries, especially with the USSR. Czechoslovak chemical industry is processing more than 18 million tons of Soviet crude annually. Also, its production of ammonia fertilizers is based on natural gas supplied by the USSR.

Units for the manufacture of nitrogen and phosphate fertilizers, for oil processing, for the manufacture of synthetic rubber, synthetic alcohol, ethylene and phenol were built in the CSSR with technical assistance provided by the USSR. The production of sulphuric acid in the Moravian Chemical Works in Prerov and in Ostrava, in the North Bohemia Chemical Works in Lovosice, in the Spolana in Neratovice, and in the Vah River Area Chemical Plants in Zilina was built in cooperation with the Polish People's Republic. The construction of petrochemical works in the CSSR and GDR also serves as an example of advantageous cooperation.

Along with the advance of socialist economic integration, the participation of the Czechoslovak scientific research base in scientific and technological cooperation with the CEMA countries was also substantially stepped up. The overwhelming majority of Czechoslovak scientific research organizations participated in the 1976-1980 period in the solution of approximately 300 tasks. The exchange of technical documentation between the CSSR and the CEMA member states increased 400 percent over the past 10 years, reaching the current turnover of more than 8,000 sets of materials annually.

14 October 1981

9004

CSO: 2400/81

FURTHER OPERATIONAL IMPROVEMENT OF VARNA-ILICHOVSK FERRYBOAT NOTED

Sofia TRANSPORTEN GLAS in Bulgarian 25 Nov 81 p 6

[Article by Engineer Stoil Stefanov, deputy director general of Water Transport Economic Trust: "Trend of Growth to Maturity"]

[Text] For us and for our economy the ferryboat link between Bulgaria and the Soviet Union is a vital bridge over which are transported hundreds of thousands of tons of raw and other materials, industrial and agricultural goods. The Varna-Ilichovsk line, maintained by four modern sea ferries, has no equal in world maritime shipping.

Three years have elapsed since the ferryboat line was put into operation, years of persistent labor and magnificent labor feats, of ever better production results.

Since the beginning of 1981 up till now the "Ferryboat Shipping" unit of the "Bulgarian Maritime Fleet" Steamship Company has fulfilled its revenue plan 108 percent, in other words, 1 million leva of above-plan revenues were achieved. The ferryboats made 11 above-plan round voyages, which is the natural result of their extra-40-day operational period. All this, of course, is the consequence of the selfless labor of the ship's crews, who helped shorten the repair time of the ferryboat "Heroes of Sevastopol" by 15 days and that of the ferryboat "Heroes of Odessa" by 25 days.

Let us go back for a moment and make a comparison with what was achieved during the same period last year. The figures mark a significant growth. Over 2,700,000 leva more revenues were realized. An average length of 61 hours and 40 minutes for the Varna-Ilichovsk round voyage was achieved as against 64 hours and 20 minutes last year, which indicates an improvement in the socialist organization of labor.

We could continue these comparisons. Average round-voyage freightage of 163 railroad cars was achieved, i.e., the average cargo was increased 7 percent, which results from the continuous increase of coordination and cooperation between the ship's crews and the workers of the ferryboat harbor complex in the prompt docking of ferryboats and preparation of train consists for loading and unloading. And this timely cooperation extends from ferryboats and harbor complex to pivotal inland railroad stations so that this modern transport conveyor can operate rhythmically and precisely.



The main task which the seamen, longshoremen and railroaders servicing the joint Bulgarian-Soviet Varna-Ilichovsk ferryboat line have set themselves during the years of the present Eighth Five-Year Plan is fuller utilization of fixed assets (ferryboats, railroad cars, dock facilities), constant lowering of material expenditures and an increase in the social productivity of labor. The ferryboat link opens up the great opportunity of coping with the trade between our two fraternal countries that increases every year, and of being a direct participant and agent in the closer alignment of our economies.

6474

CSO: 2200/41

## OCTOBER 1981 PLAN FULFILLMENT SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech 27 Nov 81 p 2

[Article by Dr Eng Vaclav Cap, Candidate for Doctor of Science, Federal Statistical Office: "Economic Performance in October"]

[Text] The fundamental criteria for the evaluation of performance can be only the extent to which established tasks have been fulfilled, and the extent to which basic progress has been achieved in the valuation of our national labor, especially in the consumption of raw material, fuel, and energy resources, in the adaption of production to the requisites of internal needs, and in the increase of export performance. Results in the development of the economy over the past 10 months indicate that--based on a rigorous evaluation--we cannot be satisfied with plan fulfillment. The positive contribution of those who are working honestly is being influenced negatively by an undisciplined or uncritical approach to their jobs by certain individuals, indifference to the needs and objectives of further economic development, and preference to the needs of individuals or collectives over the interests of society as a whole.

According to estimates, the planned dynamic in asset formation will not be fully achieved this year. This has been caused by the underfulfillment of production targets in several industrial sectors, and especially by construction enterprises, in addition to a lower than expected harvest in agriculture and a more rapid increase in the prices of imported raw materials and inputs than had been projected. To be sure, there was 1 less working day this October than last year, and there have been, since the beginning of the year, 3 fewer working days than in the comparable period of a year ago, but this does not excuse the 20 percent of the industrial enterprises, and 75 percent of construction firms, which have not achieved even that volume of production which they specified for themselves for this 10-month period. According to an evaluation of plan breakdowns in terms of time, a significant portion of enterprises allocated a significant share of their annual tasks to the final months of the year. This is also shown by the underfulfillment, in October, of the volume of economic plans for production in industry by 0.6 percent, and in construction by 3.5 percent, and a decline in the current fulfillment of the plan for deliveries both for exports and for the domestic market. In the remaining few weeks it is necessary to enlist forces everywhere--at a minimum to meet this year's plan and, in those areas where it is desirable and efficient from the viewpoint of nationwide needs, even to overfulfill it.

Meeting this year's planned increase in industrial production of 2.4 percent should be feasible, given extraordinary efforts, because the level of average daily production for the January-October period was 2.9 percent higher than in the same months of last year. Rigorousness, however, calls attention to the fact that industrial production has increased only 1.5 percent over this 10-month period, because of a shorter workday. In construction, given the current decline in the level of production by 2.3 percent, it is impossible to project that this year's planned increase of 2.7 percent will be achieved. The limiting factor in development, if we are unable to find a way toward the higher valuation of our labor and to conservation measures, is, and will be in future periods, the need for raw materials, inputs and, above all, for all forms of energy. Improvements have been achieved in centrally managed economic organizations this year, and the plan for reducing material intensiveness is being fulfilled. Materials costs (exclusive of depreciation) and services of a material nature reached a level of 63.37 percent of outputs for the first three quarters, and were 0.58 points lower than projected in the annual state plan. Nevertheless, above all the evolution of exchange relations in foreign trade (the above reduction excludes the influence of foreign trade), and the unfavorable development of costs in plant production by agricultural co-operatives will, it is estimated, lead to an overall stagnation, or even to an increase in the material intensiveness of national income. Thus, it is clear that we must set for ourselves in the future even more demanding tasks for the national economy. This is particularly true for the conservation of imported fuels, for which world prices are constantly increasing. We have the unused potential in the economy to accomplish this. For instance, the trend toward shifting transportation to railway transport is ongoing. The increase in the volume of factory transportation is continuing, even though it is more demanding from the viewpoint of fuel consumption. This may not be justified even by a decline in fuel consumption for this type of transportation of 3 liters per 1,000 ton/kilometers for the first three quarters. One must bear in mind that consumption in factory highway transportation amounted to 77 liters per 1,000 ton/kilometers, compared to roughly 57 liters for transportation by Czechoslovak Automotive Transportation [CSAD], and a substantially lower figure for rail transport.

In evaluating efficiency, it is necessary to seek out unused capacities at all locations and to enforce more demanding requirements. For this reason, constant attention must be devoted everywhere to the application of the principles of the Set of Measures, which support the discovery of unused potential at levels even in excess of the plan. Additional possibilities for increasing efficiency lie in rational organization and in inventory formation. Unfavorable trends, characterized by increases in inventories in excess of the plan, and shortcomings in their structure and utilization, have continued even this year. Even though this year's plan for state economic organizations provided for an increase in inventories of Kcs 6.6 billion, they increased in the first three quarters by Kcs 8.2 billion. Inventory turnover in the industrial and construction sectors was supposed to accelerate according to the annual plan, but has, on the contrary, slowed down over the first 9 months. This sensitive indicator of the development of the economy continues to show that there are a number of shortcomings in supplier-consumer relations.

It will be a cumbersome matter totally to adapt production to the demands for strengthening export ability, even though this objective of economic policy has already been before organizations for several years. For this reason, those



factories which are not fulfilling their export plan in terms of quantity and quality must be subjected to permanent criticism. Export results for the past 10 months indicate that in this year as well we have not been successful in generating the required turnover in exports to nonsocialist countries. Taking into account a decline in exports in October in comparison to the same month last year, exports to socialist countries increased 8.2 percent from January to October, and exports to nonsocialist countries by 2.2 percent, although the plan in this area had projected a much more substantial increase. Criticism directed at exporting enterprises, their subcontractors and the commercial policies of foreign-trade enterprises is the more justified because the overall increase in exports was influenced by an increase in prices, and because the concurrent increase in export prices was less than the increase in import prices. The situation in the underfulfillment of export targets is necessarily leading to the regulation of importing requests.

In capital investment, this year's plan projected a decline in the extent of investment. This requirement is, for the time being, being adhered to. For the January to October period, the volume of investment projects declined by 2.9 percent. Shortcomings persist in their effective implementation. Despite the measures which have been adopted, planned targets are not being met for the startup of facilities designated as binding targets of the state plan. In the first three quarters, only 15 facilities became operational, i.e., not quite one-third of those which were already to be operating efficiently within the economy. This is also influenced by the fact that remaining budgeted costs for construction projects are much higher than planned. The basic precondition for the success of capital investment, however, still remains its orientation toward machinery and construction projects which make a rapid contribution and have a great effect on society. Unfortunately, in many instances attempts are still being made to direct the intentions of capital investment only toward improving the situation in production, to exercise local patriotism in the locating of production and nonproduction facilities, and there is a tendency to request unnecessary and excessive accessories and equipment. Similar intentions must be firmly and uncompromisingly refused.

Domestic commerce in October was marked by a fluctuation, in the sense of increased purchases by the population. These were concentrated in certain industrial, but also food industry product lines. This spot, unexpected stress in certain areas could not be covered by distributions from wholesale. Retail turnover of the main commercial systems increased 6.6 percent in October in comparison with the same month last year, while increases in food stores were 7 percent, in household needs stores 10.7 percent, and in department stores 10.1 percent. In total, however, retail trade turnover is not achieving the level which was expected. Personal savings reached Kcs 162 billion by the end of October, and were somewhat lower than 1 month ago. The money supply decreased during the month by Kcs 761 million, reaching Kcs 43.6 billion.

Basic Indicators of National Economy's Development in  
Increases Over Comparable 1980 Period (in percent)

	<u>Oct</u>	<u>Jan- Oct</u>	<u>State Plan<sup>1</sup></u>
Deliveries of the Centrally Administered Industry for:			
--investments at wholesale prices	-	1.5	-2.3
--domestic market			
at wholesale prices	-	0.2	-0.7
at retail prices	-	0.8	-0.5
--export to socialist countries			
at wholesale prices	-	2.0	-1.1
at FOB prices	-	1.4	5.3
--export to nonsocialist countries			
at wholesale prices	-	3.2	0.3
at FOB prices	-	3.1	4.5
--other sales for industrial production and operations at wholesale prices	-	2.3	-
volume of industrial production	-1.2	1.5	2.4
average number of employees	0.4	0.4	0.5 <sup>2</sup>
labor productivity based on industrial production	-1.6	1.0	2.1 <sup>2</sup>
Construction			
construction work performed with internal labor resources	-1.7	-2.3	2.7
average number of employees	-0.7	-0.7	0.5
labor productivity based on construction work	-1.0	-1.6	2.1
housing units delivered by contracting enterprises	8.8	-24.8	-19.1
Procurement			
slaughter animals (including poultry)	-2.6	0.8	-2.4 <sup>3</sup>
milk	2.3	-0.1	0.7
eggs	-3.2	0.6	-0.9
Retail Turnover			
of the main trade systems	5.4	1.7	2.4 <sup>3</sup>
Foreign Trade <sup>4</sup>			
export to socialist countries	-11.0	8.2	7.3
export to nonsocialist countries	-18.0	2.2	9.1
import from socialist countries	-8.8	6.9	12.4
import from nonsocialist countries	-21.7	-3.5	6.7

[Continued on following page]

	<u>Oct</u>	<u>Jan- Oct</u>	<u>State Plan<sup>1</sup></u>
Personal Earnings <sup>6</sup>	-2.5	2.5	3.6 <sup>5</sup>
of which: income from wages	1.2	2.6	3.1
Actual cash expenditures	3.5	1.7	3.3 <sup>5</sup>

#### FOOTNOTES

1. Increases compared to actual 1980 results.
2. Increases compared to expected 1980 results.
3. All trade systems.
4. Data on actual results refer to actual transactions and the state plan (in contrast to overall actual results) does not include unplanned actions within the framework of cooperation, unplanned reexports trade, exchanges and conditional trade transactions, etc.
5. Including estimated interest on loans.
6. Data based on treasury plan of the SBCS (CSSR State Bank).

9276

CSO: 2400/83

NYERS WRITES ON INTERACTION OF POLICY, ECONOMIC DEVELOPMENT

Budapest TARSADALMI SZEMLE in Hungarian No 12, Dec 81 pp 37-43

[Article by Rezso Nyers: "The Mutual Effect of Economy and Politics in Our Economic Development," a speech given on 29 September 1981 at a scientific session dealing with the history of the past quarter century held by the Hungarian Historical Society and the Historical Sciences Institute of the Hungarian Academy of Sciences at the Hungarian Academy of Sciences]

[Text] If we consider the fateful periods of Hungarian society, progressing on the path of socialism, a few eloquent dates come to mind--1945, then 1948 and finally 1956-1957 indicate the general political turns of great import. The process of change which began in the summer of 1953 might have won similar significance if it had not come to a standstill, had not been led astray due to our lack of political preparation, primarily due to the internal divisions of our party; only after 1957 were we able to learn successfully the historical lesson received at that time.

How do these periods relate to one another? I feel that from several points of view we can put the starting point of the historical development of our present society in 1945. It was then that we broke the political continuity with the past; it was then that, thanks to the democratic revolution, we opened up a new path toward the future. It is true that since then we have progressed beyond and put behind us the greater part of the political problems which followed the liberation, but in essential questions the link between the situation then and the situation today is continuous--in the character and institutions of the people's power, in the political role of the worker class, in cultural policy and in regard to general work culture. But in the period 1945-1948 a question arose in politics, as an alternative, ever more dramatically, in increasingly sharp political clashes, as to what future we would choose for ourselves: A purely political democracy within the frameworks of a bourgeois society, or the building of socialism under the sign of a fuller democracy? From the viewpoint of deciding this question 1945 cannot be regarded as the starting point.

In 1948, in the year of the turning, the Hungarian worker class and its allies--then the political majority--chose the building of socialism and the greater part of the people accepted and supported this initiative in the hope of a better life. So 1948 becomes the starting point of the building of socialism.

As a result of all this 1948 is a shining date in the progress of the Hungarian people, because history was formed on the basis of a unique popular consensus. The program statement of the Party of Hungarian Workers was truly forward looking, the laws passed in the year of the turning were progressive and passed the test of time, the nationalization of factory industry realized general interests, the prestige of the united workers' party was very great, but it was not an absolute ruler because the supervisory mechanism of political democracy still functioned. Certainly the seeds of the later distortions were already present in the thinking of the political leadership, but as a whole political public life ensured a favorable beginning for the building of socialism.

By 1949, however, the situation was changing quickly. By that time the party leadership was free of all political supervision, a new and hidden political turning took place in regard to the general political line and in the area of economic policy alike. From this time the political leadership was characterized by an arbitrary determination of goals; it no longer worked on the basis of social agreement; it simply demanded agreement. A virtually direct line led from this to the crisis of 1953-1956. It was obvious that it was necessary to limit the political freedom of movement of those opposed to the socialist path in the period of carrying out the revolutionary changes, because the uncertainties and difficulties accompanying the revolutionary transition would have created a one-sided advantage for the enemies of socialism and the opposition concentrating on the given moment. But it was not at all necessary for the building of socialism to be accompanied by the complete elimination of political democracy; but this is what happened, and it became impossible for the parties united in the popular front to function. But perhaps the greater error was that we did not strive, together with the functioning of the parties, to make functional a socialist system of democratic interest representation; the trade unions lived a shadow life and the popular front received a role even smaller than mere formality. All this led to our undertaking the building of socialism with political methods and with a political mechanism which did not serve but rather hindered the attainment of the great and noble goal, because the leaders of the country remained without supervision and criticism; nothing protected them against error, serious mistakes and even certain crimes.

It appears that our present historical information already offers a basis for making a fine but essential distinction between 1948, the year of the turning, and the serious distortions which began in 1949. The serious errors and distortions really began in 1949, in regard to legality, in economic policy and in other areas. This distinction received special importance in the 1956 crisis, when the question arose: What is the starting point to which we must return from the incorrect path? The ousted leaders of the former coalition parties and the counterrevolutionary forces tried to force those around Imre Nagy to choose 1945 as the place for a new beginning. The revolutionary wing led by Janos Kadar in essence selected 1948 as the starting point and returned to the program statement of the Party of Hungarian Workers as the basis in principle. Evaluating the matter from the position of socialism it can hardly be debated that the latter proved correct; only this was correct and could be realized.

Why and in what sense should we evaluate as counterrevolution the tragic events of the end of 1956? In its December 1956 statement the MSZMP took careful account of the factors causing the eruption of the crisis and the political aspirations



appearing in the course of the crisis, and finally attributed the events to the combined effect of four causes. If we think back on the events with the impartiality possible today we cannot see the combination of the four causes as a simple compromise but rather as a realistic portrayal of complex interdependencies. The position taken at that time emphasized the attempts of external imperialistic forces and domestic Horthyist reactionary forces to try to turn our nation from the path of socialism, but it did not accept the hostile manipulation as the only cause. Aware that it is not possible to produce broad dissatisfaction of the people with hostile manipulation alone--as dogmatic communists believed--it sought the real basis for the dissatisfaction, and found it in the serious errors of the policy bearing the name of Rakosi and Gero. In addition it emphasized the responsibility of the party opposition for the events, because it, although it justly opposed the profoundly rooted sectarian-dogmatic policy, struggled against dogmatism in an incorrect way, with political manipulation, underestimated the hostile attempts and became dependent on the hostile forces in the course of the events.

In the final analysis the 1956 events became counterrevolutionary because the positive effort directed at a renewal of socialism was forced into the background and a tendency to restore relationships which preceded socialism increasingly dominated. The great work of a renewal of domestic socialism awaited the MSZMP, after the overcoming of the counterrevolution.

Many have pointed out in the political literature that serious errors accompanied the correct aspirations in the economic policy of the 1949-1956 period, and in the course of events the errors increasingly frustrated the correct aspirations. Increasing accumulation and an acceleration of industrialization really were necessary and correct, but the great over-emphasis on them caused more harm than good because the living conditions of the masses deteriorated and disproportions difficult to overcome were created in the people's economy. Although industrialization became a great achievement for us it must be said that if it had continued after 1956 in an incorrect and exaggerated way it probably would have led to the fall of socialism in our homeland.

After 1956 we have maintained continuity in the fundamental socialist goals, getting closer to them as we outline as our ideal a clearer and more correct picture of the socialist future. We have freed ourselves of the illusion that socialist society can become a single homogeneous community, that a more just direct exchange of goods can largely replace commodity-money relationships, that a purely scientific guidance of society can increasingly take the place of politics. So the renewal was a step in the direction of reality.

We maintained and still maintain the leading role of the party for the purpose of realizing the leading role of the worker class without making the interests of the whole people and the realization thereof a fugitive and politically unacceptable thing. We do not give a narrow interpretation to the interest of the worker class, as if it fully and in advance expressed the general interest or as if it deviated from the interest of the other working strata in crucial questions. We regard worker interest as being in the center of attraction of a broad alliance policy, something which is correctly formulated when it is linked with the interests of other great working strata. This link is always the great and exciting question of our domestic policy, and sometimes the subject of our dilemmas.

We maintain and strengthen the alliance contacts of our homeland with the Soviet Union and other socialist countries, starting from our common interest connected with international policy and the building of society. If we make good use of this alliance it is a great resource for us in the realization of socialism and of more immediate national interests. But we can learn from the 1950's that it is also possible to misuse this alliance. We no longer interpret the idea of the approach of the socialist countries to one another to mean that we can import economic and political models from the Soviet Union or other socialist countries. We regard the principled application of a communal policy to be compatible with the independent determination of our political-economic strategy and tactics. The correct solution of this is also an important and exciting question of our policy. The results of the common effort would be clearer to our public opinion if they were more profoundly aware of the problems which arise too.

The renewal of economic policy has gone and is going through a number of stages, stretching over time--partly because of the nature of the economy and partly for political reasons. A fundamental renewal took place in agricultural policy beginning in 1957; this proved to be of great significance because, in addition to the victory of socialist production relationships, it led to a long term upsurge of production and started a successful process having an effect even today. In the area of investments and industrialization we profited from the elimination of earlier exaggerations and distortions after 1957 and in economic policy we made an improvement in the living conditions of the masses one of the chief goals. In the area of economic efficiency, interest and the democracy of economic life we took a crucial step with the economic reform of 1968 and I feel that as a result of this renewal economic policy came into real harmony with the political renewal of 1957. The renewal of our economic policy has continued since 1979-1980; the policy content of this is partly a fuller realization of the tasks posted in 1968 and partly a better accommodation to the new world economic situation.

It is characteristic throughout the world today that questions of the economy occupy a large place in political life, primarily in regard to social effects and interdependencies but not rarely in the case of strictly economic questions as well. The favorable development of economic performance results in political success; the contrary results in political difficulties and in more serious cases causes outright failure. But it is not only politics which depends on the economy; the reverse dependence is undoubted. Many--but not all--conditions for the functioning of the economy are a function of political decisions and if all this is done rationally then it is not to the disadvantage but rather to the advantage of the economy. So the mutual dependence is close; there is no economy free of politics and no politics free of the economy. But the two spheres do not get mixed together for this reason under either capitalist or socialist relationships; their relative independence remains.

Looking at the matter in its general aspects the situation is that in capitalist societies the state is outside the economy and from this position it intervenes in economic life; under socialist relationships the state--with only a part of its activity, it is true--gets inside the economy and acts from within as owner and central planner. But politics appears not only within the framework of a two-sided "state-enterprise" link but also simultaneously in a unique three-sided system of "state-enterprise-social organizations" contacts. In essence it is the function of politics to mediate or realize some general social interest in the direction

of the economic sphere. Actually the big question is what, concretely, is the interest of society at a given time, to what depth can it be formulated at the political level and how can it be realized.

Our domestic experiences warn us that in political activity we must concentrate on the solution of questions of national economic scope and importance, must regulate, encourage and supervise the activity of economic organs in the interest of this, but one should not--because actually it is not possible--guide the enterprises centrally with political decisions and obligatory plan directives. In the final analysis indirect tools which take cognizance of the relative independence of the economy are more effective because we can exercise political influence directed at what are really the chief social interests, influencing the enterprises as a whole, especially in regard to the so-called quality factors--efficiency, production structure, innovation and accommodation to the market. According to this conception our national economic plan is more than a prognosis but less than a command, because it requires from the managing organs independent action and an independent judgment of the situation. This conception builds much more on people and on the human factor in general than an overcentralized economic model--and it is just this that makes it socially rational.

In the critical questions of general economic development the concentrated economic interests can be expressed clearly at the political level, but this requires a political mechanism which is closely linked to the economy, which helps to disclose and harmonize the real interests, which aids the intellectual maturation and cultured expression of alternative possibilities. The development of such a socialist political mechanism is made difficult by the circumstances that for a long time we did not develop the system of political institutions according to such an idea. It makes it difficult, but in the final analysis it cannot hold back our further development on the road already begun.

We could make a long list of those difficulties, deficiencies and even abuses of our economic practice which appear as political problems also, to put it plainly as subjects for talking politics. These are unique from trade to trade and more or less from region to region; they differ in this or that. Their solution is not aided but hindered if the proposals or complaints are referred to higher and higher levels in the political mechanism in the belief that they can be resolved better in this way. In such cases the central or regional political leadership usually can do nothing more than push the flood of problems being pushed upward back in the direction of the scene of the crime, possibly accompanied by firm thunderings. It can really be corrected where the fault arose, and this is why even political supervision can be truly effective only near to the action. I feel that this "sorting ability" of the political mechanism must be developed together with the economic mechanism, and for two reasons: First so that a larger part of the concrete problems can be solved and second so that the national political efforts should encourage more and better in general themes of such importance as to represent, for our nation as a whole, a key for entering a secured future.

I would like to indicate three directions for action of such outstanding importance as to be key questions from the viewpoint of our economic and political present and future:



--balanced and developing external economic contacts, because in recent years either development or balance have been characteristic, the two together have not yet succeeded;

--a swifter increase in economic efficiency, so that the capital, labor and material expenditures of society should result in substantially greater extra value than they do today, and thus improve the internal balance of the economy;

--increasing the intensity and effectiveness of human and communal cooperation, so that the mechanism of cooperation should grate less in the horizontal and vertical social division of labor, so that the economic achievements should be better and the political public feeling should improve.

I call these directions for action because they do not represent tasks which can be "executed" in some direct and closely circumscribed way (even locally); rather they represent the thinking through and rethinking, planning and replanning and correction of many, many tasks. In addition these are directions for action not only for the economy but for society as a whole; the economic sphere alone would be incapable of carrying them out. Success can be created, I might say "sweated out," by all the work of society.

Our society as a whole should pay more attention and continue to pay attention to external economic cooperation--not as a professional question but as a general political question. The professional part of it should be entrusted to economic experts (and they must be trusted) because it is dangerous, if not life threatening it is "deficit threatening," to intervene in this from the outside. But there is a point where the theme becomes a public concern, and since it is not possible to determine in a normative way where this point is we might say that sometimes it must be recognized with the help of the political art.

If we expand our external economic contacts slowly then our entire development will necessarily be slow and thus it will be impossible, or hardly possible, to improve living conditions. We have been in such a situation for 3 years now and although it is hardly possible to do something sensational and "break out" of this quandary quickly, still we must get out of it with a carefully thought out strategy and hard effort, despite the fact that we cannot foresee today a substantial improvement in external conditions in the years just ahead.

It can hardly be disputed today that for a long time the Hungarian people's economy will be characterized by parallel cooperation with two spheres of the world economy--the socialist international market and the capitalist world market--so if we want to develop we must be more active in both relationships. Even so the CEMA contacts will be of outstanding importance, but not in the sense that we should limit in this way our contact with the capitalist market but rather, among other things, in the sense that we should try to improve our world market competitiveness (on both the socialist and capitalist market) by relying primarily on CEMA.

A fundamental change in the economic circumstances of the socialist countries is having a great effect on socialist economic cooperation. One noteworthy symptom of the new situation is that our countries are only slowly and uncertainly switching

over to an intensive development of the economy--relying on efficiency. The other phenomenon, very important for us, is that the engine of socialist cooperation, the Soviet economy, has switched over to a slower pace, is striving for external cooperation with a different structure, and all this serves as less incentive for the development of the smaller people's economies. It is probable that this indicates a lasting change and we must find an appropriate accommodation to it. These facts bring up a more intensive development of contacts among the smaller socialist countries--unfortunately they are not sufficiently intensive--and an energetic improvement of competitiveness in cooperation with the non-socialist world.

Our society is receiving with understanding an economic policy which puts economic efficiency in the foreground; for the most part it is accompanied by sympathy and in many cases it is actively supported. But in regard to broader public life we might get the impression that a simplified picture of the tasks rules in political public thinking. Something like this: "Everyone should work better and with greater discipline;" "Let us produce more and better for export;" "Let us not reject useful innovations but introduce them;" "He who works better should receive more; the loafer should receive less;" "Carelessness should be punished more severely;" etc. Each one of these is a correct guide and should be followed, but the "how" represents the difficulty of the matter, that is where realization will succeed or fail. The "how" is what really produces tension, which often upsets the previous course of everyday life, which tests the vision of society and its ability to cooperate. It is not rare that the positive main effect of some decision--for example, a production structure better adjusted to demand--is accompanied, if only temporarily, by negative side effects, perhaps by a certain degree of manpower transfer. Can we carry it out, or will we retreat before the difficulties caused by the side effects? Those who suggest the elimination of the side effects, as Szechenyi would say of them, are hiding behind the cloak of inaction. Our public life as a whole must take the problem of efficiency seriously, not only as an economic question but as a political question, just as Istvan Szechenyi and his colleagues of the reform age faced the economic problems of their own age.

From the viewpoint of increasing our economic performance and its qualitative value we simply cannot disregard a further improvement in the division of tasks between the state sphere and the enterprise sphere. In the area of developing the economic environment which surrounds the enterprises and prompts them to action it is very necessary to make more efficient the economic guidance activity of the state organs and the social organs operating at the national level. In reality the central plans and the regulators have a dual role. On the one hand they prompt or force some action. On the other hand they put limits on the use of resources and their combination at the enterprise level. The correct ratio of this prompting and these limits is the key question. Not to debate the momentary possibilities in this area I would say, as the direction for further development, that it would be desirable to increase the prompting strength of the economic environment and decrease the assets limiting role of regulation, because this is one condition for an energetic development of the entrepreneurial activity of those actually engaged in management. And this latter is the question of questions from the viewpoint of the future.

If we look at the economic process from the viewpoint of human activity then we can see a multiplicity of ways to cooperate--in the preparatory phase which precedes production, in the work process in the strict sense and in the process of marketing.

Similar ways of cooperation characterize the broad area of social services. If economic efficiency is to improve greatly we must be able to increase the effectiveness of this multiplicity of ways to cooperate. This is the question of "how" also. There are tools for this which have proven good--the socialist brigade movement is one--but we must find new ones as well, because a certain fundamental improvement is needed. The "how" is not simple, because the task itself is complex. We must make technical contacts more continuous, we must bring the interest system closer to the smaller collectives, we must greatly improve direct control of the work process, and going beyond all this there must be better harmony among those who are in direct contact with one another through their activity. To sum up I might say that all this requires better organization of the economic process, making more profound the democracy of economic life.

I think that we must continue to strive to develop the concrete democracy of our economic life on clarified foundations of principle, increasingly coupling the right to have a say in decisions with responsibility. This will be possible if we make a distinction in the economy between the ownership and the entrepreneurial function and clarify the relationship of the two to one another. In the cooperatives the correct solution would seem to be one based on self-administration, carrying it through consistently; in the state enterprises the solution would seem to lie in having the appropriate state organ exercise the ownership rights (it would be worth examining which organ should do this) while in regard to entrepreneurship the activity should be undertaken jointly by the leadership and the worker collective so that both sides should share in the results or lack of results to the degree of the difference in the risk borne. One condition for all this is that profit should increasingly and better express the social utility of the activities.

The Hungarian labor movement might learn this lesson from the serious political and economic crisis of 1956, that a basically erroneous policy cannot be corrected bit by bit, gradually, almost imperceptibly; this requires a political turning, a fundamental renewal. We can count it as a historical fortune that under the banner of the MSZMP we were able to turn back from the wrong path and realize the 1948 program--while honoring the values of 1945.

I would like to emphasize this as a motto: Hereafter also, the communist policy, the policy of popular-national unity, can consist of nothing else but a combination of preservation and renewal appropriate to the age and place.

1984

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## ECONOMIC REGULATIONS FOR 1982 EXPLAINED

Budapest MACYAR HIRLAP in Hungarian 3, 16, 17 Dec 81

[3 Dec 81 p 7]

[Text] Enterprise Incomes

Income regulation, which influences the magnitude of income generated at managing organizations and defines the part of the income to be paid into the budget and the income remaining at the enterprise or cooperative, is an important tool for planned guidance of the people's economy. The important elements in income regulation are: income withdrawal (taxation), support, which covers deficits and supplements profit, and wage-earnings regulation, which influences the magnitude of personal incomes.

Beginning 1 January the values in income regulation, set most recently in 1980, will change--adhering to principled foundations. The reasons for the changes are that the division of income between managing organizations and the state budget in 1980 and 1981 was not accompanied by the desired increase in the budgetary part of income, the financial balance did not improve adequately and over-spending, although it moderated, is still significant in the people's economy. Tightening income regulation is also justified by the fact that we must strengthen the realization of the performance principle, which will make possible the discovery of reserves, not only those which can be mobilized quickly but also those that will have a lasting effect. Only in this way can an obstacle be put in the path of the dangerous process of inflation.

Beginning 1 January 1982 the enterprises must pay into the budget a wage contribution corresponding to 27 percent of the wages paid out. This means that taxation burdening wages will increase by 3 percent. Thus the cost of labor will be noticeably higher for the enterprises, which will encourage an increase in productivity if they want to maintain the profit level.

It is important to note that the profit tax for 1982 will not change; thus the tax key for corrected profit is 45 percent. The declaration and payment of the profit tax will continue to be in the form of self-taxation. Tax discipline by the enterprises was satisfactory in 1981 but the Receipts Main Directorate of the Ministry of Finance should improve institutionally the quality of supervision.



An analysis of economic processes this year shows that while earnings and incomes paid out are better linked to performance than they were earlier this link is still not as close as is required by the financial balance, a proportional development of the commodity and financial base. For this reason the goal of tightening the values for wage and earnings regulation is to make possible an increase in wages only on the basis of greater performance.

The wage multiplier tied to the wage development indexes will be moderated from 0.3 to 0.2 in the wage fund regulation linked to performance and from 0.3 to 0.25 in the wage level regulation to performance. The magnitude of central wage development will decrease from 4 percent to 3 percent in the central wage fund regulation form, from 3 percent to 2 percent in the relative combined central wage fund regulation form and from 3 percent to 2.5 percent in the central wage level regulation form.

The old values will be valid in coal mining, in ore and mineral mining, in ferrous metallurgy, in the baking industry, in the milk industry, in domestic trade (with the exception of wholesale trade in tools of production and stockpiling and wholesale trade in by-products and waste collection) and for enterprises and cooperatives providing consumer services.

In the case of highly profitable enterprises managing efficiently the wage development which could be realized by means of wage development payment concessions has been 2 percent; this can now move between 2 and 4 percent--differentiated as a function of the level of profitability. These enterprises will also be aided by a measure according to which they must pay the 150 percent wage development contribution burdening wage level development only for a wage level increase above 12 percent; this figure had been 9 percent.

The values for income regulation in foreign trade will change also; the gross foreign trade profit margin, as compared to domestic trade taxes, will increase from 50 percent to 55 percent (with the exception of Mased (Hungarian General Shipping Enterprise)) and from 45 percent to 65 percent for intermediary, agent enterprises. The budget will withdraw the excess profits deriving from changes in the rate of exchange which developed for these enterprises between 31 October 1981 and 31 December 1981.

#### Regulations

The modification of the regulators will moderate or put an end to a number of tax concessions and forms of support. Supports for the modernization of production will decrease at an accelerated rate, primarily in light industry and foodstuffs and for a few machine industry enterprises. The measures also affect support for individual activities. Support for seasonal domestic trade shops will end and support for trade in fruits and vegetables will be decreased by 25 percent.

In the wake of regulator changes--including the price measures--enterprise profits will decrease by 20 billion forints in 1982, presuming the given production level, which means an increase in central resources of the same magnitude. It will be possible for the enterprises to preserve or even increase their profits in 1982, if they manage more efficiently and achieve higher performance, but to do this they must meet higher requirements.

## Agriculture

The modification of the agricultural regulators is aimed at further improving the competitiveness of export and making more favorable the financial conditions for agricultural operations with lower incomes and unfavorable natural conditions. It is an important aspect of the changes that in a number of areas conditions identical with those of industry will be realized in agricultural production also. For example, increasing the wage contribution by three percentage points will apply to large agricultural operations also.

The favorable changes introduced this year at state enterprises in regard to generation and use of the social and cultural fund will apply to the large agricultural operations also. For example, where there is no institutional kitchen and the workers are given meal tickets as a meal contribution this can be at the burden of the social fund and not the shares fund.

## Outside of Work Time

Beginning 1 January 1982 it will be possible for producer cooperative members, as it has been in state enterprises, to undertake work outside of the work time in their producer cooperatives if it is not part of their job obligations. It will be a condition for such a contract that the producer cooperative member work for the communal farm on a continuing basis in all his work time until he fulfills the 2,200 hours per year now prescribed. The rules for levying production taxes on industrial activity done in the large agricultural operations will change considerably and a few production tax keys will change, creating withdrawal conditions identical with those for industrial enterprises. (The tax keys for industrial and service activities will increase by 1-2 percent.)

The basis for the income tax in the large agricultural operations will be the profit serving as a basis for accounting (interest) and the total of payments and wages. Thus the basis for the tax can be reduced by the total of payments on loans to cover losses and make up fund shortages and by supplemental funds used for such adjustments but it will be increased by the value of non-normative export supports. This definition of the basis for the income tax will be advantageous primarily for farms in a more difficult financial situation and it will help them catch up in productivity and net profits.

## Investments

It will serve to stimulate agricultural production that the prices for the most important tools and materials used will not change in 1982. Budgetary supports will neutralize changes in producers or import prices for artificial fertilizers and industrial fodders. In regard to industrial materials, prices for fuels increased by about 10 percent as of 1 November but the budget balances out 75 percent of the increase--with methods used heretofore also. Next year, however, the March budgetary equalization of energy prices increases for large agricultural operations will end.

The budget will continue to support investments by large agricultural operations. For example, a 30-35 percent or fixed sum support can be given to create conditions for keeping animals when establishing hog or milk cow facilities.

Improving productive land is an important goal of investment supports. For this reason state support of melioration and water management will increase.

The support system for cattle raising will be modified and milk production supports will be moderated by 45 percent. The supports thus freed will increase the profitability of slaughter cattle production in that the large agricultural operations will get a six forint price supplement for every kilogram of slaughter cattle sold.

Even heretofore a special support balanced out a part of the deficit due to land quality in areas of weak productivity (in general on plow land with cadastral net income lower than 14 gold crowns). The number of operations working in areas under 14 gold crowns is large and in many cases the state purchasing prices based on conditions around the average did not even cover their costs, so it was justified to increase their interest.

Extending the sphere of supports will also stimulate an increase in economical export. The special price supplement for farms with unfavorable production conditions will increase from 15 percent to 25 percent for the sale of cereal grains and will increase to 10 percent for the sale of slaughter cattle, slaughter sheep and berries. Those large agricultural operations where the plow land cadastral net income did not reach 18.10 gold crowns on 31 May 1981 will also get special price supplements. The value of these will be 20 percent of the income from cereal grain and corn, 7 percent of the price income for slaughter cattle and slaughter sheep and 8 percent for the sale of berries.

[17 Dec 81 p 7]

#### Producer Prices

The most general economic regulator is the price. The price level, price forms and the price mechanism have a special role in the fact that processes serving the balance have strengthened in the past 2 years.

Although the relatively short time which has elapsed since 1 January 1980 is not sufficient for an analysis of the experiences of competitive price generation still certain tendencies can be observed. In the wake of competitive price generation the foreign market price work of most enterprises producing for export has improved, the profitability of non-ruble export has increased and the domestic price level has adjusted to this and the accommodation of the enterprises to world market prices has strengthened in the following sphere. But competitive price generation can be improved further because sometimes the differences between the profitability of domestic sales and foreign sales are significant and this influences the direction of incentive.

The producers price changes which went into effect on 1 January 1981 applied to fixed prices, primarily to fuels.

As of November the price of petroleum and petroleum products--with the exception of gasoline--increased in a differentiated way, taking into consideration the world market prices for the several products; and natural gas, coal, coke, electric energy and thermal energy became more expensive also.

Encouraging conservation of energy-intensive transportation costs and moderating the budgetary burdens interdependent with transportation justify a 15 percent increase in highway and domestic rail freight fees, while rail freight and export-import freight fees are increasing by an average 20 percent.

#### Tickets Become More Expensive

Beginning 1 January 1982 the price of tickets for rail travel and inter-urban autobus travel connected with travel to work will increase by 25 percent. The increases do not affect refunds to workers; the employer will bear the burden of the increase.

Where justified by the security of management or the need to moderate ripple effects the budget will offer support--of a temporary character--to reduce the burdens of the increase. For example, the rebate will come to 75 percent for large agricultural operations, 80 percent for long-distance passenger traffic, 90 percent in the cement industry and full value in urban mass transit, public sanitation activities and household energy use.

The producers price measures will have the effect of reducing profits for the enterprises. But it can be concluded from preliminary calculations that the affected economic organizations can counterbalance this even in 1982 by increasing efficiency and with more thrifty management.

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MINISTER'S VIEWS ON SPECIAL TAXES PUBLISHED

Warsaw TRYBUNA LUDU in Polish 11 Dec 81 pp 1, 2

[Text] Responding to the numerous questions sent to the Ministry of Finance concerning what will be done with the revenues earned from the increases in the prices of cigarettes, matches, gas fuels, and alcoholic beverages, the head of this ministry, minister Marian Krzak, sent us a full report on this matter, which we are publishing here with minor abridgements.

The Ministry of Finance advises that, according to current estimates, revenues accruing to the national budget as a result of the increases in the prices of cigarettes, matches, gas fuels, and alcoholic beverages will amount to approximately Zl 40 billion this year and, it is estimated, in excess of Zl 180 billion next year (these figures include revenue gains attributable to the two latest price increases affecting alcoholic beverages, amounting to approximately ZL 116 billion, gas fuels, amounting to approximately Zl 32 billion, and cigarettes and matches, amounting to more than Zl 33 billion). Were it not for these price increases, there would have been no increase in budget revenues next year, something which would have limited opportunities for finding the funds required to meet many important social needs.

In keeping with the provisions of the budget for 1981 and 1982 the revenues gained as a result of these price increases are to be used to pay for the necessary increase in expenditures for social and cultural purposes, for social insurance requirements, and for municipal services and housing needs.

During this year alone expenditures for the funding of social and cultural activities went up by Zl 55 billion, and for next year it is projected that these expenditures will go up by an additional Zl 50 billion. The most important factors figuring in this increase in expenditures next year will be appropriations of funds to pay for wage increases and a higher level of employment in schools, hospitals, and other institutions amounting to a total sum in excess of Zl 30 billion.

As is well-known, working hours have been cut back, and many facilities have been put to use for the purpose of meeting social and cultural activity needs. This entails the necessity of a substantial increase in the level of employment. The increase in expenditures needed in order to maintain these new facilities, not

country labor costs, comes to approximately ZL 3.6 billion. In addition, these expenditures will be increased by another ZL 2.4 billion to pay for improved food services in hospitals, public welfare institutions, and combination educational-public welfare institutions. Expenditures on medicines will also go up by approximately ZL 2.6 billion.

Further, it is necessary to find funds to pay for the effects of the rising costs of maintaining social and cultural facilities, an increase which is estimated to amount to approximately ZL 5.5 billion. If it were not possible to come up with the revenues needed to offset this necessary increase in expenditures dedicated to these purposes, it would be necessary to institute the practice of delivering these services on a reimbursable basis, a practice which would of course be inappropriate for social reasons. It should also be pointed out that revenues derived from the increased prices of alcoholic beverages will be used to fund the program dedicated to the fight against alcoholism.

Social insurance requirements are another important factor figuring in the increase in expenditures funded out of the national budget that will have to be offset by additional sources of revenue. This year's increase in expenditures earmarked for this purpose will amount to more than ZL 26 billion. On the other hand, next year these expenditures will go up by an additional ZL 42 billion. This is mainly related to the need to find supplementary sources of funding for the retirement fund due to increases in annuities and pensions, especially so in the case of minimum-benefit pensions, to the introduction of educational grants, and to the increase in subsidies paid for out of the national budget for annuities paid to private farmers that are not matched by contributions paid into the farmers retirement fund.

A third important factor figuring in the increase in budget expenditures that is dedicated to providing for the expansion of public services is the matter of the surcharges imposed to pay for municipal and housing services. These costs are going up this year by approximately ZL 12 billion, and they are slated to go up next year by an additional amount of approximately ZL 15 billion. This is related for the most part to the necessity of generating the funds needed to offset the increases in the wages paid to workers employed in this sector of the economy in keeping with the provisions of the program for stabilizing the fees paid for municipal and housing services. In addition, there are plans for allocating supplementary revenues to pay for the repair and maintenance of residential buildings and to offset the increased operating costs of urban mass transit rolling stock and for the procurement of additions to this rolling stock.

Taken altogether, expenditures out of the national budget earmarked for funding the abovementioned needs increased this year by approximately ZL 93 billion. Next year these expenditures will go up by another ZL 110 billion, that is, ZL 200 billion more than in 1980. However, as was already pointed out, total revenues derived from this year's price increases will come to approximately ZL 180 billion.

The revenues brought in as a result of these price increases are therefore still not sufficient to cover the total planned increase in budget expenditures earmarked for these purposes. Nor for that matter are they sufficient to offset the necessary increase in national budget liabilities chargeable to consumer goods price supports. Surcharges on the prices of foodstuffs alone will go up next year by more than ZL 160 billion. So, notwithstanding these price increases, the draft budget for 1982 still shows a large deficit.

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MINISTER INTERVIEWED ON MEMBERSHIP IN INTERNATIONAL MONETARY FUND

Warsaw SZTANDAR MŁODYCH in Polish 23 Nov 81 pp 1, 2

[Interview with Zbigniew Karcz, director of the Foreign Department in the Ministry of Finance by Malgorzata Pokojaska]

[Text] [Question] You took part in the talks that were recently held in Washington concerning the readmission of Poland to the International Monetary Fund. What is the reason for choosing this particular point in time to make this effort?

[Answer] The decision to apply for admission was preceded by lengthy debates during which consideration was given not only to possible future advantages and liabilities, but also to the anticipated reaction of the member countries and the IMF authorities. It is hard to say what would be the most appropriate point in time to make such a move. On the one hand, a country like ours that is in debt and struggling with so many problems surrounding the repayment of its loans might be regarded by the members of the IMF as a potential debtor to this organization. On the other hand, the fact that our economic and balance-of-payments situation was at one time not in such bad shape never did anything to encourage making a decision to apply for admission. At that time voices were being raised in opposition to such a move, asking why we should bother to eat this crow, since it is not necessary.

[Question] So, in this way we finally reached the point where no one was talking any more about preventive measures. Hungary, displaying, in the opinion of IMF experts, more imagination and foresight, has now joined the IMF in order to safeguard itself against problems that might arise in the future. What will membership in the IMF do to change our situation?

[Answer] Joining the IMF makes no critical difference as far as our economic situation is concerned. It will not automatically solve all of our problems, even though it might make it easier to find solutions to these problems. It is one of several instruments geared toward supporting our country's established balance-of-payments policy. As of right now we are being forced to enter into multilateral negotiations with creditor countries and banks concerning the extension of our debt servicing schedules. Membership in the IMF would make it possible for us to channel these negotiations through the IMF itself. The assistance of the IMF in, say, the preparation of reports on the state of Polish economy might be helpful to us and, as a matter of fact, should make it easier for us to conduct negotiations with banks and governments.

[Question] You claim that the IMF authorities view us as a potential debtor. What are our chances of obtaining loans from the IMF?

[Answer] There really is a chance that the IMF could help us to obtain additional funding sources and--something which is also important--under more favorable terms than we could get elsewhere. The interest rate on IMF loans is relatively low. In addition, IMF members are entitled to participate in the World Bank, which provides aid in the financing of certain capital investment projects, especially when it comes to investments in infrastructure, and offers opportunities for participation in similar projects in third countries.

[Question] Does a loan from the World Bank rule out the possibility of receiving aid from the IMF or vice versa?

[Answer] These are two different kinds of aid. Aid provided by the IMF for the purpose of restoring a healthy balance of payments does not preclude aid from the World Bank dedicated to work on specific kinds of capital investment projects.

[Question] What are some examples of the kinds of capital investment projects that could be financed by the World Bank?

[Answer] For example, the construction of the North-South superhighway, assuming that work ever really gets started on this project. Likewise, in my judgement, aid could also be obtained from the World Bank to support the "Vistula" program. Right now we would like to get the World Bank interested in financing capital investment projects that have been suspended. It is hard for me to give you any other examples. We are just now getting started down this road, and, for the time being, only preliminary talks have been held.

[Question] And what kinds of obligations arise out membership in the IMF?

[Answer] During the 1950s, when we left the IMF, and also during the years that followed these obligations were made out to be a bit more drastic than they really are. And, in fact, these obligations are confined to matters having to do with the release of information on the state of a member's economy. But is it possible to regard this as some kind of additional obligation, since we have already consented to release this kind of information much earlier on while we were engaged in negotiations on the postponement of our debt repayment liabilities? The information which we have released to representatives of the governments of creditor countries and to private banks is no less detailed than the kind of information that the IMF is requesting.

[Question] Up until very recently our balance of payments was classified secret. Only the western press indulged in any speculation on this subject. It offered up guesswork and would occasionally publish some figures. I do not know how credible these figures are, but they certainly were not made available to Polish journalists.

[Answer] But the rules have been changed on this score. We have not only begun to disclose our balance of payments to creditor countries, rather we are also publishing this information here in Poland. Our balance of payments is no longer a secret. But as far as other figures on the state of our economy are concerned, this information can in fact be found in the ROCZNIK STATYSTYCZNY [Statistical Yearbook].



[Question] But, in addition to furnishing statistical data--which, as you note, are in the public domain--are we not also required to come up with a program for solving our crisis? After all, we are counting on financial aid....

[Answer] Yes, of course, but this is an entirely different matter. Membership in the IMF is predicated on the release of information on the state of a member's economy. Obtaining loans to bring the balance of payments into equilibrium is predicated on presenting a program which will demonstrate that the borrowed funds will not be wasted.

[Question] Is the IMF interested mainly in the status of balance of payments or in the state of the economy? In Poland today these two factors go hand in hand, but can one imagine a situation in which an economic recession is accompanied by a balance of payments that is in a state of equilibrium?

[Answer] Something like this could happen in countries which have very weak ties with the rest of the world, in countries with isolated economies. However, the statute-mandated goals of the IMF include: Economic growth, full employment, rising labor productivity, and, with all of this, the maintenance of a relative equilibrium in the balance of payments area. In order to obtain loans from the IMF it is necessary to come up with a program that guarantees or at least comes close to guaranteeing the realization of these goals.

[Question] It is imperative that we come up with such a program. And yet I cannot imagine giving our economy a "boost" without external financial aid.

[Answer] Such assistance is necessary not only in order to "boost" the economy, but, most importantly, in order to curb recessionary tendencies. In order to maintain the present level of incomes and production we have to obtain loans, loans which are larger than many of those which we took out in the past. We will of course put together a program for solving our balance-of-payments problems, something which is an integral part of a program for the solving the overall crisis.

[Question] But alot of programs have already been drawn up. Does not the government's economic stabilization program meet the requirements set by the IMF?

[Answer] Generally speaking, it does meet these requirements. We do not intend to make any changes in the underlying precepts of the economic stabilization program. But we must expand it and supplement it with new information. The government program is general in nature, serving more as a set of guidelines. But what we need is a program for restoring equilibrium to our balance of payments. We have to move on from setting general tasks to setting specific goals and means of action. In order to satisfy the IMF we have to put together a study that has been augmented with data from the Report on the State of the Economy. In many cases it will be necessary to translate this information into the statistical language that prevails in the IMF.

[Question] On joining the IMF a new member has to make a membership deposit. Will not this place a great strain on our balance of payments?

[Answer] For the time being we have only applied for admission to the IMF. Still ahead of us are the negotiations on determining the amount of our contribution to the IMF, 75 percent of which will be paid into an IMF zloty account with the National Bank of Poland, while the remaining 25 percent will be paid in the form of so-called

SDRs (special drawing rights) or in the form of one of five convertible foreign currencies. This 25 percent, a member country's so-called reserve quota, may be "withdrawn" or rather spent at any time and without having to cite any particular reasons. From this standpoint, then, this will not place any strain on our balance of payments.

[Question] Let us hope that we will not have any trouble coming up with this sum of money. Assuming, of course, that we are admitted to the IMF at all.

[Answer] There are 143 countries that belong to the IMF. I do not recall there ever having been an applicant who was rejected. And the preliminary talks we have been holding give us every reason to be optimistic about our chances.

[Question] Thank you for granting this interview.

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PLANS, PROGRAMS FOR 1982-85 PERIOD INTRODUCED

Socioeconomic Development Plan for 1982

Bucharest REVISTA ECONOMICA in Romanian No 49, 4 Dec 81 pp 3-4, 12

[Article by Toma Melinte]

[Text] The single national plan for socioeconomic development for 1982, recently adopted by the Grand National Assembly, is a new and important link in the creative activity of the Romanian people in steadfastly implementing the program worked out by the 12th party congress; the plan's goals are based on the tasks included in the 1981-1985 five-year plan, on the indications of the party leadership and of Comrade Nicolae Ceausescu on raising economic and social activity to a qualitatively higher level. In determining the size of the tasks forecast for next year in the plan, account also was taken of the results obtained in fulfilling this year's plan, of the proposals made by workers at the general meetings in the economic units as well as of the decisions of the recent joint plenum of the RCP Central Committee and the Supreme Council for Social and Economic Development.

Through the provisions it includes, the single national plan ensures fulfillment of certain goals of Romanian economic progress which are of the greatest importance. Thus, we mention the special attention being given to broadening the base of raw and energy materials as well as to the intensive development of agriculture, which are decisive priorities of this current period. Also in the forefront are the problems of modernizing industry and improving the structure of industrial production, efficient national management and superior utilization of raw materials, materials, fuels and energy, raising the technical and quality level of products, consolidating the material, financial and currency balance of development and steadfastly increasing economic efficiency and the profitability of all units, strict application of the provisions of the new economic-financial mechanism. On this base the mobilization of all reserves is being sought with a view to carrying out the program to raise the population's material and spiritual standard of living.

The country's social-economic development in 1982 compared with the preceding year is characterized by the following increases for the main overall indicators (see the table) in percent, as calculated on the basis of 1981 prices.

Although the abovementioned increases seem smaller than those in previous phases, extensive phases of development of the national economy, actually these rates, which continue to be above the European and world average, reflect a powerful rise; they

have the importance of absolute increases in the indicators which are much greater than those in the past. Achieving such provisions requires important changes in the structure of Romanian industry and the economy, which requires faster technological progress, qualitative rise in production and increase in efficiency.

<u>Indicator</u>	<u>Increase Over 1981</u>
Social product	4.5
National income	5.5
Industrial production:	
Value of net production	5.6
Value of production good	4.7
Agricultural production:	
Value of total production	6.0-7.9
Value of net production	6.8
Total investments in the economy	5.0
Volume of foreign trade	14.0
Labor productivity in industry (calculated on the basis of value of net production)	4.1
Reduction in expenses per 1,000 lei production good in the national industry	1.9
Domestic electric energy consumption	3.0
Population's total real incomes	2.7
Average real salary	1.5
Peasants' real income from work on the agricultural production cooperatives and personal plots, per active person	3.2
Retail sales of goods	4.6
Services to the population	11.2

#### The National Base of Raw Materials and Agriculture--Basic Priorities

The 1982 plan forecasts high production levels for a number of main industrial products, a fact which brings out the importance being given to development of the primary branches of the economy, which contribute to an increase in our own base of raw and energy materials as well as the processing sectors--which through the products manufactured ensure superior utilization of all categories of material resources and require more and more complex and qualified work and make a higher contribution to the efficient flow of the country's exports. At the same time, one may state that the entire construction of the plan proves the special emphasis being placed not only on increasing the products which utilize resources at a high level but also on limiting the manufacture of big energy-consuming products and products which are big consumers of raw materials.

Taking this kind of action, it was sought to have the plan hinder and limit the negative effect on our economy by destabilizing factors caused by the phenomena of the world economic-financial crisis, an effect demonstrated by the continued rise in the prices of fuels and raw materials and by the exaggerated interest rates on the foreign market. Also, it should be noted that in order to avoid future failures in fulfilling the plan tasks it was sought for the manufacture of physical products to be ensured with corresponding capacities; thus it was kept in mind for industrial production to be carried out in 96.5 percent of existing units, 2.8 percent in the installations in the phase of technological testing and only .7 percent at the capacities which will enter into operation in the last part of 1982. This is a measure



which contributes to consolidation of the material balances worked out, to setting the size of consumption based on technical standards, which comprise more than 90 percent of the need for primary fuels and electric energy, 98 percent for metal in machine construction, 90 percent for plastics, 80 percent for wood subject to industrialization and 96 percent for leathers and textile fibers.

A central place in the 1982 plan is held by development of the primary sector of the economy, our own base of raw materials and energy, agriculture and silviculture, parallel with a policy of emphatic reduction in material consumption in all areas. Toward this end, this sector has been allocated large funds from total production investments. In order to broaden our own base of mineral raw materials, the plan provides for intensification of geological research activities in all areas with favorable prospects as well as for the continental shelf of the Black Sea and it establishes tasks for drawing all the resources we have available into economic circulation, including those with reduced contents of useful substances or located at great depths.

The development of the extraction industry is based on the start of new production capacities into operation and full use of existing ones, on extending modern technologies for the exploitation, preparation and complex utilization of mineral substances from deposits, with special attention being given to the extraction of petroleum, methane gas and coal, whose production is forecast to reach 12.5 million tons in 1982, nearly 33 billion cubic meters and 44 million tons, respectively. Big efforts also will be made to continue increasing the production of ferrous and non-ferrous ores, nonmetal-bearing substances as well as in other sectors of the extraction industry.

The production of electric energy, established at the level of 74.1 billion kWh, takes into account the particular tasks for continuing to stress reduction in specific consumption in all sectors. Priority attention in this branch is being given to the production of electric energy on the basis of coal, with the plan mentioning schedules for having new energy groups enter into operation and measures for the corresponding operation of existing capacities.

Agriculture, the basic branch of the national economy and one of the most important priorities of this five-year plan, is being oriented through the plan provisions in the directions which ensure increasing the contribution to satisfying the population's consumer requirements, supplying the food and light industries with raw materials as well as creating higher reserves for export. In accordance with these tasks, agriculture, including silviculture and water economy, has provided investment capital of 35.6 billion lei, with a view to the continued development and modernization of the material-technical base. Next year agriculture will have available a system of highly productive machinery, which will permit carrying out sowing and harvesting in the optimum periods, will receive 1,802,000 tons of chemical fertilizer with nitrogen, phosphorous and potassium and 51,600 tons of pesticides in active substance and will benefit from larger areas set up for irrigation, drainage projects and for combatting soil erosion.

Taking into account the entire complex of measures established for broadening and utilizing the material-technical base as well as possible and for raising activity in agriculture to a qualitatively higher level, the plan for the vegetable sector forecasts an increase of grain harvests to 24 million tons, large increases in the

production of sugar beet, sunflower, fruits and grapes and the numbers of animals in the zootechnical sector, which is enjoying special attention, their output, and meat, milk, wool and egg production will increase.

#### An Adequate Economic Structure for Requirements and Restrictions

The process of restructuring industry will continue to deepen next year, with the plan's specifying the necessary tasks for the intensive development of the branches and subbranches of the processing industry, for achieving improved variety structures adapted to the current needs of the economy and requirements of the foreign market which, at the same time, provide for superior utilization of raw materials and energy.

In the metallurgical industry, a branch which, as we know, consumes large quantities of raw materials and energy, the majority of which are obtained by imports, the steel production of around 14.2 million tons is being set in size according to the requirements for continued improvement in the structure and quality of products. This basic orientation in the development of the metallurgical industry is reflected in the plan through the tasks provided for faster growth in production in the sector of the metallurgy of special steels, predominantly the varieties of alloy steels as well as products with advanced processing.

In the machine construction industry it is forecast for production to provide both the equipment needed for the investment program as well as the export of this branch's products, a context in which a special emphasis is being placed on improving the structure of production by assimilating new, highly technicized products into manufacture as well as on applying certain measures with a view to increasing the mobility of production, to adapting it as efficiently as possible to the requirements of domestic beneficiaries and foreign partners. Since the potential which this branch has reached can satisfy the needs of the economy, the new investment provided refer only to certain well-defined sectors, with the stress being placed on full use of areas of production which exist, machinery and equipment, particularly special and performance machinery. New types of machinery, equipment, apparatuses and installations as well as new materials for the electrotechnical, microelectronics and aeronautics industries are being assimilated into manufacture in 1982.

In the chemical and crude oil-processing industry, possibilities are being kept in mind for achieving high utilization of resources and diversifying the quality and variety range of the products by better utilizing the capacities in operation and modernizing technologies, particularly the energy-intensive ones. Although the quantity of crude oil subject to processing is to be maintained at the 1981 level, that is, around 25 million tons, the finished production good will increase due to the superior fuels as well as products intended for the petrochemical industry. Petrochemistry will see faster development, with high rates being forecast for synthetic rubber, polymers, chemical fibers and threads together with a quantitative growth and variety improvement in the production of chemical fertilizers and pesticides. In the area of fine synthesis chemistry and small-tonnage chemistry--a sector of high technicity and economic efficiency--large increases in production are being established for drugs, dyes and organic pigments, cosmetics and so forth.

The production of the machine construction industry is being set in size in close connection with the investment-construction program forecast for 1982. At the same time, taking into account the powerfully intensive nature of this branch, the plan

forecasts the restriction of production of cement, reinforced concrete prefabricated products, ceramic bricks and asbestos cement tubes to what is strictly necessary. In the consumer goods industry, emphasis is to be placed on orientation toward substantially raising the quality of the products and obtaining much more diversified variety structures with superior finishing. The production increases forecast for knitwear, readymade clothing and footwear are to be obtained for the most part by superior utilization of raw materials from Romania--particularly chemical fibers and threads, flax, hemp, wool and leather--as well as by the use of much greater quantities of recoverable materials. All these are options which bring to light the continuation of major restructuring in Romanian industry and the economy with the purpose of also answering the restrictions caused by the world crisis of energy and raw materials as well as the demands for efficient development of the Romanian economy.

#### Quality Improvement of Activity in All Sectors

The 1982 investment program, for the implementation of which 226.3 billion lei have been allocated, continues to provide the vitality of the Romanian economy. Efforts are being directed on a priority basis for next year, too, toward the development and modernization of material production, the basic branches of the economy, with industry, agriculture and transportation to receive 79 percent of the investments forecast. At the same time, development of the material base for the social-cultural sector, for housing construction and communal management and for other investments which contribute directly to raising the people's standard of living, funds totalling 36.2 billion lei have been allocated. In accordance with the party secretary general's indications, the plan is taking into account the needs to continue firmly the action to restrict the front of investments, with the material and financial resources being oriented so that all conditions are created for the projects now being built to be put into operation promptly.

Exemplary fulfillment of the tasks in the investment area--which to a large extent is a condition for achieving the production levels and efficiency forecast for 1982 and for coming years--requires decisive application of the measures established for promoting technical and economic solutions which provide for eliminating defects and substantially raising the quality level of activity in this area, an exigent action for management of material resources with a sense of responsibility, for full utilization of construction equipment and the labor force so that the jobs take place at a sustained rate on all the job sites and production capacities being built should be put into operation within the schedules forecast.

As one of the basic requirements for fulfilling the tasks established, the plan takes into consideration the more active participation of Romania in international commercial exchanges and cooperation with higher efficiency. Taking into account the entire ensemble of phenomena being demonstrated at the world level, the forecasts for 1982 in the foreign trade area have in mind application of the measures established for full utilization of the opportunities for increasing exports and achieving a rising commercial balance, within which the imports of raw materials and equipment, which cannot be manufactured in the country or which are not efficient to be manufactured here, are ensured as well as reduction in foreign debts. The plan continues to create conditions for consistent development of economic collaboration with the CEMA member countries and all socialist countries and amplification of economic relations with other states.

Next year the volume of foreign trade will rise 14.0 percent, a much more emphatic growth being forecast for export. In this framework, one of the central problems of the activity is a substantial rise in the efficiency of export, improvement in its structure and superior utilization of Romanian goods on foreign markets. This requirement poses the task of taking firm action at all levels for complete coverage of the export plan with contracts and for exemplary fulfillment of export production. Resulting for the economic units is the duty to give all their attention to efficient adaptation of the production to the requirements of the foreign market, to diversification of the geographic zones for contracting and forms of commercialization and to continual growth in the share of products with a high degree of processing. At the same time, decisive actions are needed for sensible management of funds. Also required is careful seeking of fulfillment of the cooperation actions with other countries and goals agreed upon with international organs.

In agreement with the requirements for fully placing the intensive reproduction factors in value, the plan forecasts have in mind an emphatic rise in economic efficiency in all sectors of activity. In 1982 the growth in labor productivity in industry will be 5.3 percent, while the reduction of expenses per 1,000 industrial production good will be 1.9 percent, with the savings to be obtained in this way to be achieved particularly due to reduction in material expenses.

It should be emphasized that achievement of the material and financial balance held in mind for next year requires achieving the resources in the planned structure, steadily carrying out technical-material supply, strictly fitting into the consumption and stock standards established by the plan.

The planned growth of industry and agriculture and all branches of material production ensures a 14.5-percent greater increase in social product over 1981, which is to be achieved with smaller material consumption so that the share of material expenses in the social product will be reduced. Under these conditions a 5.5-percent increase in national income has been forecast.

The plan forecasts measures for continuing to raise the populations' material and spiritual well being. According to the program to raise the standard of living and in correlation with the planned evolution of the price indicator, both the peasants' real incomes and those of worker personnel will see an increase and there will be a corresponding increase in sales of food and nonfood goods and in services to the population, while the population's living conditions will be favorably affected by the construction of 190,000 homes.

In pointing out the main guidelines, goals and tasks established by the single national plan for 1982 as well as the fact that the plan ensures through its construction all the material and financial resources needed, it is necessary to stress the need for exemplary fulfillment of the plan provisions. This requires strict application of the new economic-financial mechanism in all the social-economic units, discipline, continuous work from all workers and superior activity on every job.



## Agricultural Improvements

Bucharest REVISTA ECONOMICA in Romanian No 49, 4 Dec 81 pp 5-6

[Article by D. Dumitru]

[Text] Ensuring the conditions for continued rise in the material and cultural standard of living and the well being of all the people, the supreme goal of the Romanian Communist Party policy of building the multilaterally developed socialist society and directing Romania toward communism, demands a rise in vegetable and animal agricultural production in all the state and cooperative units and utilization of the resources from the population's plots to a greater extent with a view to improving the supply of all residents of cities and villages with agricultural food products and to satisfying other needs of the national economy.

The program for territorial self-leadership and self-supply in providing the population with animal and vegetable agricultural products in the 1982-1985 period is based on the goals established by the Directives of the 12th party congress to raise agricultural production, raise the quantitative and qualitative level of food consumption in accordance with the scientifically determined requirements for maintaining and developing the ability to work as well as to improve the entire population's state of health.

Worked out under the initiative and direct guidance of Comrade Nicolae Ceausescu, party secretary general and president of the republic, the program is conceived so that the current five-year plan is a new stage in improving food consumption, a basic expression of raising the people's standard of living. The program places in the center of attention the firm application of the principle of self-leadership and self-supply, strengthening of the role of local organs, participation of the popular masses in the leadership and in carrying out the single national plan for the country's economic and social development.

In accordance with the party's general policy and the tasks set by the five-year plan, the program establishes territorially the basic coordinates for increasing agricultural production with a view to satisfying the population's consumer needs, those of industry with raw materials as well as other requirements of the national economy. At the same time, the program proceeds from the requirements for steadfast application of the new economic-financial mechanism and rise in the efficiency of all economic activity. The programs worked out by the local organs are conceived so as to be a sure base for increasing vegetable and animal production, for providing self-supply in conformity with the rational consumption requirements and with the principles of socialist ethics and equity. The county and commune people's council programs are a component of the program at the countrywide scale--a basic condition for the balanced development of the national economy at a sustained rate.

### Quantitative and Qualitative Changes in the Structure of Consumption

In the years of building socialism, particularly the period opened by the 9th party congress, as a result of the general development of the production forces and increase in national wealth, the material base has been created for the continued rise in the standard of living. The increase in the population's incomes has led to a continued improvement in satisfying the consumer needs for industrial and food products as well as the population's spiritual needs.



As a result of implementing the party's policy for intensive and multilateral development of agriculture, agricultural production has seen a sustained growth, ensuring continued improvement in supplying the population with agricultural food products, raw materials for industry and other needs of the national economy. Agricultural production in 1980 rose 3.5 times compared with 1950. In the 1976-1980 five-year plan the average annual grain production was 19.4 million tons, compared with 8.2 million in the 1951-1955 five-year plan; for potatoes, it was 4.4 million tons compared with 2.3 million; for vegetables--3.5 million tons compared with 1.6 million; for fruit--1.5 million tons compared with .6 million tons; for meat--2.4 million tons compared with .8 million; for milk--52.6 million hectoliters compared with 23.5 million; for eggs--6.6 billion compared with 1.3 billion.

Consumption of food products improved substantially, from one stage to another recording important growth. In 1980, per capita and per day consumption was 3,368 calories and 100.3 grams of protein, placing Romania at a comparable level with the economically developed countries such as Czechoslovakia, GDR, France, United States and FRG. Despite this, animal protein consumption still is below the requirements for a balanced nutrition, while grains represent a high percentage in the calorie structure of consumption. Grain consumption in 1980 in the equivalent of 173 kg of flour is much higher than in the economically developed countries. Per capita consumption per year, in 1977-1978, in Austria was 73 kg, 68 kg in FRG, 75 kg in France, 70 kg in England and 63 kg in the United States. Precisely for that reason the basic orientation of the program consists of improving the structure of food consumption. As Comrade Nicolae Ceausescu stressed at the recent plenum of the RCP Central Committee and the Supreme Council for Economic and Social Development, "We are seeking to ensure a better structure of nourishment, which will have positive effects on health protection and our people's physical and intellectual development. Currently per capita calorie consumption places Romania among the top 10 countries in the world. For that reason, in conformity with the program presented, we shall place the emphasis on improving the structure of consumption. For this purpose a party and state commission has been established and it is working out the scientific requirements for a rational nourishment, taking into account both the recommendations of science, achievements on the world level as well as our people's traditions and specific nature."

This is the first time in Romania that a program has been worked out to improve the food consumption of the entire population, which takes into account consumption requirements, correlated with the material base and with the solvent requirements of all residents of cities, worker centers and communes. The population's food consumption fits into the consumption trends which have taken place in the economically developed countries. At the forefront of these trends is the increase in consumption of animal products. This consumption, forecast to be achieved in 1985 (82.5 kg of meat, 290 liters of milk, 300 eggs and 10 kg of fish), will mean that the percentage of animal protein--the quality indicator of food--is nearing the level of consumption standards determined scientifically.

Another trend of improvement in the food structure is the increase in consumption of vegetables, fruits and grapes, products rich in vitamins, natural sugars and salts, needed to provide a balanced nutrition. Thus, vegetable consumption will rise from 140 kg in 1980 to 170 in 1982 and 185 in 1985, the consumption of fruits and grapes will rise from 59 to 76 to 87 kg, respectively. Also, potato consumption will rise from 70.6 kg in 1980 to 100 kg in 1982 and 1985. The increase in consumption of animal products, vegetables, potatoes, fruits and grapes makes it necessary and possible to reduce grain consumption from 180 kg in 1982 to 140 kg in 1985.

The program establishes average consumptions for the country, as a basis for calculation, with a view to providing the material resources needed both for feeding the city as well as rural population. The programs worked out by the county and city people's councils will be adapted on a differentiated basis according to the population structure, according to the efforts made in material production and other activities and according to age and sex, bearing in mind the specific local nature of the foods, in accordance with the requirements for maintaining and continually improving the state of health and working ability of all residents. In accordance with the provisions of the program, the differentiation of average per capita consumption will be kept in mind depending on vocational structure, providing larger quantities for miners, iron and steel workers and other workers who work in more difficult working conditions and jobs.

Both at the country level as well as in the people's council programs the stress is being placed on improving the structure and raising the quality of products with a high nutritional content and on diversification of the varieties.

#### Providing the Material Base for Satisfying the Population's Requirements

The program on territorial self-leadership and self-supply provides for the material base needed to satisfy the population's requirements for each county, for each locality in proportion to the number of residents and level of current consumption. The increase in consumption for agricultural food products will be provided in proportion to development of the material base and growth in population.

The consumption of 65 kg of meat per capita on the basis of existing resources or from the county consumption fund or centralized state fund can be provided according to the number of animals we have available, under conditions where the minimum slaughtering weights of 360 kg for cattle, 110 kg for hogs, 32 kg for sheep and 1.45 kg for poultry are respected. The increase in slaughtering weight in 1985 (400 kg for cattle, 40 kg for sheep and 1.65 kg for poultry), on the basis of the numbers of animals forecast in the five-year plan, will provide a per capita consumption of 82.5 kg of meat. The milk consumption forecast--200 liters in 1982 and 250 liters in 1985--can be provided with an average annual cow milk production of 2,285 liters for 1982 and 3,000 liters in 1985. Also, the existing layers and those forecast are to provide production in 1982 and 1985 for a consumption of 270 and 300 eggs, respectively. The per capita consumption of 7 kg of fish in 1982 and 10 kg in 1985 is to be ensured by fisheries, from the Danube, interior rivers, the Black Sea as well as ocean fishing. The basic condition for providing self-supply territorially lies in achieving the numbers forecast per capita, obtaining high average production and respecting the minimum levels for cutting the animals.

Romania's grain production of 24 million tons forecast in the plan for development of agriculture and the food industry for 1982 and of 28.5 million tons for 1985 ensures that the entire population will be supplied under good conditions with bread, flour, cornmeal and bread products and it covers the need for fodder grains and satisfies the industry's requirements for raw materials as well as other needs of the national economy.

As we know, horticultural products, both fresh and canned, are part of the basic products which must be present in food consumption all during the year. Providing the necessary consumption both for vegetables as well as potatoes, fruits and grapes

is to be carried out by increasing the areas and increasing average per hectare production. Vegetables will be provided by increasing average production both for the field as well as greenhouse crops and for double and successive crops.

The consumption levels forecast are being correlated judiciously with the increase in agricultural production and that of the food industry, with the material-technical base and fit into the indicators forecast for the five-year plan as a whole. From the initiative of the party leadership, which has demonstrated special concern with setting an appropriate size for the plan tasks in agriculture and the food industry, the investment capital initially forecast for this branch has been supplemented with around 8 billion lei.

With a view to fulfilling the program provisions the material-technical base of agriculture and the food industry will develop and modernize, measures will be taken to improve the organization of production and work and to have firm application of the principle of self-leadership and economic-financial self-management in all the socialist agricultural units and administrative-territorial units. Decisive action will be taken to accomplish a profound agrarian revolution in production, labor productivity, technical level, economic efficiency and the general social activity in our villages. For this purpose the rational use of the entire stock of land will be ensured as well as conclusion of the process regionalizing crops and establishment of crop rotation system, complex mechanization of jobs and chemification of production, total modernization of the fruit-tree and grape growing, continued rise in the numbers of animals and improvement in breeds and radical resolution of the fodder base.

All material conditions thus have been created to provide for the production set and for good supplies for the population.

#### Improvement in the Organization and Leadership of Economic Activity.

Fulfillment of the program's provisions requires improvement in the organization and leadership of activity in agriculture, both at the central level as well as that of the administrative-territorial organs and agricultural units. The programs for territorial self-supply worked out by the local organs of state power will have to be integrated organically into the plan for development of agriculture and the food industry. The self-supply of each county, municipality, city, commune and each locality must be ensured on the basis of complete utilization of all material resources and the labor force we have available with maximum efficiency.

Establishing the county consumption fund and centralized state fund for agricultural food products has special importance in fulfilling the program provisions. The county consumption fund includes the vegetable and animal agricultural products needed to supply the nonagricultural population in each locality and the county as a whole as well as the products obtained from producers, particularly the population's plots, to satisfy their own needs. The centralized state fund of agricultural food products is established by the plan for development of agriculture and the food industry and its intention is to provide industry with raw materials, to supply the tourist locations, to complete the resources for supplying the population with products which do not have favorable conditions in some counties as well as other needs of the national economy.

The introduction of this new concept of utilizing agricultural food production requires improvement in the territorial system of planning production and the organization

and profiling of the agricultural units. The programs must set the size of the county consumption fund and participation in the centralized state fund of agricultural food products in a correlated way. The production of the agricultural units and within the sphere of the communes must be profiled by taking into account the purposes for utilization of it. We must eliminate the concept of ultra-specialization and ultraconcentration of agricultural production, of restricting the profile, particularly of the agricultural cooperatives, to two-three crops or only to one or two breeds of animals. The large industrial units which exist must be modernized, with the application of new industrial technologies being carried out in smaller sized units. In order to provide the county consumption fund, socialist units will be established to supply the urban centers as well as the communes which supply agricultural products from the population's plots. In order to ensure the centralized state fund, big specialized units will be set up on a priority basis and they will have to obtain production with high economic efficiency.

One of the basic conditions for ensuring self-supply is the improvement in management of the agricultural food fund through appropriate organization of transportation, warehousing and preservation and the eliminating of waste and destruction of the products. At the same time, it is necessary to improve the exchange relations between city and village, to place these relations totally on socialist principles, at equitable prices, and to extend and have firm respect for the contractual provisions.

The measures established by the program provide for an increase in the responsibility of the local organs and the county, city and commune people's councils in the leadership of all social-economic activity. This is an expression of the development of socialist democracy and increase in the popular masses' participation in the leadership of all social-economic activity. Fulfillment of the program's provisions is one of the conditions for fulfilling the strategic goal of the current five-year plan to change Romania into a socialist country with average development level. The continued strengthening of the alliance between the working class and the peasantry and unity of all the people and the durability of our system will be ensured by carrying out these measures.

#### Regional Self-Supply Program

Bucharest REVISTA ECONOMICA in Romanian No 49, 4 Dec 81 pp 7-8

[Article by Dr Gheorghe Teodarasu]

[Text] The program on territorial self-leadership to provide the population with animal and vegetable agricultural products for the 1982-1985 period recently adopted by the Grand National Assembly creates the conditions for a qualitative leap in having the people's councils fulfill their jobs along the line of the social-economic development of the localities.

These jobs were stipulated with particularly clarity and vision of the future by Law No 57/1968 and they are as follows:

To work out and implement the plans for territorial social-economic development, organization and checking on their fulfillment;



To have unified leadership of agriculture on the council's territory by:

- a) Development of zootechnics with a view to covering the higher consumer requirements of the population and industry's needs for raw materials;
- b) Complete satisfaction of the population's needs for vegetable, potatoes and fresh fruit for as long a period as possible during the year;
- c) An increase in the contribution of the population's plots to providing local supply through the organization of vegetable and animal production on the population's agricultural lands in the urban and rural areas;
- d) An increase in production on the areas intended for a fodder base, on the meadows and natural hayfields for the harvesting, warehousing and preserving of the entire forage production, ensuring judicious use of it so that each farm can fulfill its duty to raise animals and poultry;

(The tasks of the people's councils for supplying the population with agricultural food products under conditions of self-leadership and self-supply of the administrative-territorial units are detailed in Law No 13/1980).

Guidance and coordination of all the activity of small industry, the collection and utilization of all local available material resources within small industry as well as parts and subassemblies resulting from the division of fixed assets, consumer goods, other materials resulting from production processes or consumption as well as drawing the available labor force into production activity and providing of services for the purpose of developing small industry;

Ensuring the development of all local economic branches by full utilization of resources on the territory, rise in economic potential with a view to the continued rise in the citizens' quality of life (efficient utilization of production factors, including the land, development and diversification of the range of products and services offered to the population, improvement in their quality, environmental protection and so forth).

The joint RCP CC and Supreme Council for Economic and Social Development plenum as well as other democratic forums convened recently, in analyzing the way that these tasks of the people's councils are being fulfilled, evaluated the need to develop the favorable normative framework for implementing these tasks by adopting the national program for territorial self-leadership and self-supply.

Each county, each locality in proportion to the number of inhabitants and level of current consumption, are provided the necessary material base through the program adopted by the Grand National Assembly (for supply with meat, milk, eggs and other products), the base which is to be developed in coming years, in conformity with the provisions of the five-year plan.

#### Harmonious Development of Local Economy

The basic requirement of the program for territorial self-leadership and self-supply aims at improvement in the organization and leadership of social-economic development territorially, that is, primarily through better correlation of jobs in each locality.



However, other correlations also must be kept in mind, such as the correlation between development of the primary, secondary and tertiary sectors and environmental ecology, between development of the industrial and residential zones and transportation, between inhabited zones and placement of services, cultural supplies and administrative supplies.

Ensuring respect for these objectively necessary correlations in economic practice can be achieved by starting with the planning of territorial development, a much broader job in responsibility and scope through the tasks received through the program along the line of satisfying the population's consumption requirements to a greater extent.

Perhaps it is the case for us to mention in this context that a number of people's councils have available the necessary experience, including methodologically (economic models, sociological investigations, statistical data banks) which permit optimization of this territorial planning, an experience which should be generalized within an organized framework.

Although perhaps one could think that we have come out from the area of practical problems, it is our duty as economists to demonstrate that a simulation of the flow of economic life on the basis of economic models, before making decisions, including in planning and selection of optimum variants on this base, may be an important measure of efficiency for the national economy. Due to the party's policy of supplying the economy with electronic computers, we have available a computer capability which many countries can envy; also we have available numerous applicational programs created by information specialists whom our country has at the present time. It remains only for us to use these forces as well as possible in improving the activity of planning, organization, checking and decision making.

Bearing in mind the multiple incidents of each decision for territorial development, it is clear that a good substantiation can be made only through a systems approach (let us think only of the barely paved roads which are again destroyed by drilling machinery in just several days). Rounding up light industry and food units in one country to satisfy the demands of the country's own population involves--by itself--a giant informational baggage which would permit an "encounter" between the structure of demand and the structure of production. For example, if we were to take just the problem of the optimum allocation of resources of raw agricultural food materials by varieties, by systems for transformation and commercialization systems in which the following would have to be chosen:

What kind of cookies will we manufacture, of the nearly 90 existing varieties? Does the population prefer buying flour, cookies or laboratory preparations? In regard to the systems for changing raw materials into eatable foods, we should note the efficiency of the operation of big complexes of food production instead of the small craftsmen's laboratories (restaurants, pastry houses, cafeterias and so forth) which have a much lower output of transforming raw materials, with much greater specific consumption and at least double the labor consumption, justifying its existence only in the case of luxury units.

The operation of such production complex for supplying public food service units (cafeterias, restaurants, pastry houses) in a locality ensures strict respect for certain quality standards, grams and at the same time broad accessibility in price through the relatively reduced level of production expenses.

Satisfying mass demands such as that on the industrial platforms, learning centers and administrative centers is carried out best through mass food production. Seen in a broader context, mass production at the same time provides efficient operation under sanitary conditions conferred by the industrial discipline of recycling of industry and through the attached management, which uses food waste.

These potential advantages of the production complex, however, may be utilized only in a production structure which is as adequate as possible for the local population's consumption traditions and habits, at the same time also satisfying rational and healthy consumption.

As one may find in the figures in Tables 1 and 2, the evolution of the structure of average consumption of the population in the last 15 years is positive, in the sense of the growth in percentage of protein in foods and reduction in percentage of grains.

Table 1: Growth in Consumption for Some Agricultural Food Products During Current Five-Year Plan

	1980	1982	1985
Meat and meat products	62	65	82.5
Milk	180*	200	250
Eggs	270	270	300
Vegetables	140	170	185
Potatoes	70.6	100	100
Fruits	59.1*	58	62
Grapes	--	18	25

\*Including milk products (except for butter); including fruit products

Source: SCINTEIA no 12215/1981

Table 2: Rise in Sales for Some Agricultural Food Products in 1965-1980 Interval Through Socialist Trade Compared with Population Movement

Category	1965	1980	Absolute Increase	Relative (%)
Meat(tons)	156,600	462,700	306,100	195.5
Meat preparations (tons)	54,100	236,700	182,600	337.5
Fish (tons)	27,300	72,300	45,000	164.8
Oil (tons)	114,500	203,900	89,400	77.7
Milk (hectoliters)	2,499,100	7,167,600	4,668,500	186.8
Cheeses (tons)	38,000	95,200	57,200	150.5
Butter (tons)	10,300	28,700	18,400	178.6
Eggs	314,100	1,566,000	1,251,900	398.6
Sugar (tons)	189,600	419,400	229,800	121.2
Sugar products (tons)	53,600	164,700	117,100	218.4
Potatoes (tons)	322,800	564,500	241,700	74.8
Fresh vegetables (tons)	320,200	813,800	493,600	154.2
Canned vegetables (tons)	43,200	141,000	97,800	226.4
Fresh fruits (tons)	48,400	225,900	177,500	366.7
Bread (tons)	1,755,200	2,449,500	694,300	39.5
Macaroni products (tons)	38,100	61,600	23,500	61.7
Rice (tons)	53,400	87,200	33,800	63.3
Population	19,027,000	22,201,000	3,174,000	29
Urban population	6,418,000	11,015,000	4,597,000	71.7

Source: "Statistical Yearbook of the Socialist Republic of Romania," Bucharest 1981.

\* Calculation of number of families made by applying an average coefficient of 3.5 to number of population from rural environment.

## Finalization of Production Efforts in the Distribution Area

The finality of efforts in the area of consumer goods production is ensured by having consumer goods reach the population under good conditions, on time and in the appropriate structure. This goal is well served by the new measures which provide for establishment of funds for county agricultural food consumption. The problems of transport, storage, refrigeration chain, formation of the variety (assortment), contracting, follow up, delivery and so forth are much simpler.

At the same time a multitude of problems of leadership and organization which ensure the three above listed conditions in the total commercial network remain to be solved. The quality of leadership and organization, however, is determined by the quality of the information offered by the information system for leadership. Whereas trends for oversupplying, facilitated by the lack of correctness of the operations personnel, must be combatted firmly, the mastery and regulation of the commercial apparatus complex which each county now has available means the utilization of modern leadership methods, keeping daily records of deviations from the stock for each product and sales point. Only in this way can firm action be taken in both directions: the population and trade--while the measures to improve supply should record complete success.

If one asks how to avoid holes in the stock for a number of goods which still can be found in the wholesale warehouses, clearly it is through a daily listing of deviations from the minimum stock on the computer as recorded in the units of the commercial retail enterprise.

Seeking to limit the unforeseeable variations of demand by partially diminishing the weight of limited demand, the bases are laid for a much more realistic planning of the mode of demonstrating demand and, as such, holes in the stock for supplying the population may have as the cause only malfunctions in the information system between the store-retail enterprise-wholesale enterprise (or industrial producer-wholesale warehouse).

As such, this information system, which should operate and process information in useful time must be improved so that the modern leadership of trade should cease being a desirable and should become a real fact.

Our computer technology industry is placing at our disposal today the most modern computer equipment for the most varied uses and the territorial electronic computer centers generally have available the computer capability to take over the applications from the commercial enterprises. And, despite this, implementation of modern management systems on the basis of information systems is way behind in trade.

We are not proposing to analyze the causes for this state of affairs, stating merely that those leaders of commercial directorates and enterprises which have understood the need for information management systems have also achieved them. In other cases, such as that of the Cocor store, the system was gradually abolished and eliminated after having obtained large investments for supply and implementation.

As also has been demonstrated on other occasions in REVISTA ECONOMICA, besides the several assortments lacking in the economy at a given moment, all the other assortments, of course there are many, on the order of thousands and tens of thousands,

can be supplied through an appropriate organization of the informations system.

Faced with the importance of the problem represented by optimization of the circulation of goods in the commercial network, both economic but also social, overcoming the current stage of indifference toward operation of the informations system which would substantiate regulation of the distribution of the fund of goods is required on a priority basis.

The program on supplying the population with agricultural food products and industrial consumer goods for the fourth quarter of 1981 and first half of 1982 is a first confrontation with the practice of the five-year program for territorial self-supply, which requires maximum effort and exactingness from all the forums involved, being aware that they are struggling to achieve the basic goal of socialism.

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## CONDITIONS FOR 1982 FOREIGN TRADE PLAN FULFILLMENT

Bucharest REVISTA ECONOMICA in Romanian No 50, 11 Dec 81 pp 11-12

[Article by Dr Ion Stanciu, deputy minister of foreign trade and international economic cooperation: "Preparing Conditions for the Achievement of Plan Tasks in the Field of Foreign Trade for 1982"]

[Text] In the current stage of creating a multilaterally developed socialist society and moving Romania to the level of a medium-developed country, foreign trade and international economic cooperation activities acquire an ever more important role in the general development of our country and in the raising of the people's material and spiritual level.

Under the conditions of accentuating the process of the international division of labor and amplifying foreign economic relations with over 140 countries all over the globe, numerous branches and sub-branches of Romanian industry are producing a significant portion of their production for export. In overall industrial production, approximately 30 percent is slated for export and in some cases, as is the situation for tractors, field vehicles, railroad cars, technological equipment for the construction materials industry and the chemical industry, furniture, clothing, footwear and so forth, the majority of the production is for export.

### The Achievements of 1981 - An Essential Premise

Beginning with the role and influence of foreign trade and international economic cooperation for the overall development of the economy, the 23-24 November 1981 Joint Plenary Session of the RCP Central Committee and the Supreme Council of Economic and Social Development accorded great significance to the measures necessary to conclude 1981 activities in this field with appropriate results and especially to create the conditions to achieve and overfulfill the plan tasks for 1982.

In his speech at this plenary session, the secretary general of the party, comrade Nicolae Ceausescu, developed in a profoundly scientific, innovative and realistic spirit the priority tasks in the field of foreign trade, tasks stemming from the decisions of the 12th RCP Congress. In referring to the principal objectives established for foreign trade during the current five year plan, it was stated: "The problem of foreign trade activities, of exports as a fundamental problem of our national economy and of the proper carrying out of production must permanently, every day, receive the attention of all the ministries, the State Planning Committee



and the Government. The Romanian economy today has the ability to ensure a broad and diversified foreign trade and, on this basis, to ensure a commercial balance, a balance of payments and the means to repay and eliminate foreign debts."

The carrying out of the major objective in the field of foreign trade of achieving an active commercial balance and, on this basis, a balance of foreign payments, and of consolidating the country's hard currency reserves requires necessarily that in the immediately coming period the efforts of all those who work in production of goods for export and in the sales of these products will combine concerns for concluding 1981, the first year of the new five year plan, with appropriate results with the creation of conditions for carrying out foreign trade and international economic cooperation activities next year, in accordance with the tasks outlined for this sector in the sole national economic-social development plan.

In 1981, exports increased at a more accentuated rate than the other synthetic indicators for the economy. This increase was 12.5 percent overall and 14 percent for hard currency trade. This permitted the achievement of an active trade balance, but with a smaller surplus than the one outlined in the plan, which was brought about in a practical sense by the failure to fully achieve exports. This was a negative phenomenon in foreign trade activities and it was stressed in the proceedings of the recent plenary session of the RCP Central Committee. This state of affairs, influenced in part by the unfavorable circumstances on foreign markets and by the crisis phenomena that characterize the world economy, was also brought about by the shortcomings in production and sales activities. Thus, for some goods in the export program contracts were not concluded at the levels called for in the export plan and certain foreign contracts were not carried out under the conditions and within the timeframes agreed upon with the foreign partners. Such situations, especially noted for some categories of machinery and equipment in the machine building sector, for ships and vehicles, for steel and iron products, for furniture and for footwear, led to the failure to fully achieve the export plan.

It is required, as an objective necessity and as a duty for all those who work in the field of production for export and sales, to firmly work for the fulfillment of the export plan and for the achievement of all foreign contracts with delivery timeframes in this year so as to contribute to the highest possible trade balance surplus and to the creation of a solid base for economic activity next year and during the entire five year plan.

Hard Currency Self-Administration - A Basic Principle in the Management of Economic Units

The 1982 Sole National Economic and Social Development Plan, approved by the Grand National Assembly and now a law, contains special tasks for the overall development of the national economy and, within this context, for foreign trade and international economic cooperation.

The accentuated growth of the fund of goods slated for export and the amplification of commercial trade and international economic cooperation, combined with limiting imports to only those that are strictly necessary and reducing them below the 1981

level, represent a significant part of the complex group of factors that will directly and immediately contribute to carrying out the priority objective of ensuring an active trade balance and a balance of payments and of repaying a portion of the foreign debt.

The fulfillment of the 1982 plan tasks will take place under the conditions of foreign circumstances that continue to be maintained, generally, in a manner unfavorable for the development of foreign trade. Such a state of affairs, with a trend towards being accentuated, is brought about by the increase in the price of crude oil, by the accentuation of the crisis phenomenon, by high inflation, by unemployment, by the raising of barriers across the path of trade through artificial measures adopted by the industrialized countries and by the level of interest, which during some periods has reached 20 percent on loans in dollars. The growth of the foreign debt of the developing nations, by requesting such loans, generates a heavy burden and a flow of an ever more significant portion of their national income towards the industrialized countries making the loans.

The improvement of foreign contracts for exporting the entire amount of goods outlined in next year's plan, in correlation with ensuring imports and, first of all, the raw materials and basic materials that are required for proper production in all the branches of industry, represents a priority direction for activities in the field of foreign trade and an inseparable facet of the efforts that must be made to achieve the tasks established for foreign trade in 1982.

The measures adopted, with the help of and on the basis of directives of the secretary general of the party, have contributed to concluding a significant volume of foreign trade contracts for 1982, as well as contracts for importing certain raw materials and basic materials, under conditions of a constantly improved correlation characterized by balanced trade and by parallel import-export operations for the purpose of ensuring payment resources for all committed imports.

In accordance with the tasks stemming from the Law for Adopting the Sole National Economic-Social Development Plan for 1982, contracting actions must be carried out with a maximum of intensity through the active participation of the interested authorities in the foreign trade enterprises and those production units that furnish goods for export so that by 31 December 1981 they will have concluded contracts for the entire amount of goods planned for next year, with the exception of market or seasonal goods that are contracted, according to international practices, during the course of the year. The contracting programs for the coming period especially involve machinery, equipment and devices from the machine building sector, some products from the chemical industry, furniture, clothing, textiles, footwear and those products in next year's export plan that normally require a longer period of time to be produced, prepared and delivered.

Concomitantly with the finalization of foreign contracts we are working to transmit the orders to the supplier factories and to give to them all the technical details and delivery schedules in their entirety in order to ensure the production and forwarding of the goods under the conditions and within the timeframes agreed upon with the foreign partners. This is an essential factor for the proper carrying out of foreign trade activities that lead to prices and parameters of superior efficiency and which, under the current foreign circumstances, gain an even greater significance.

Ensuring a firm, obligatory nature for both parties of the contracts that are concluded for exports in 1982 represents another essential direction within the framework of concerns for completely covering the export plan with contracts.

Beginning with the experiences of recent years and especially those of 1981, in the export contracts for next year we will have clear clauses that will ensure the obligation of the partners to fully accept the goods and, by correlation, the obligations of the producer units to deliver the goods on time and under the conditions agreed upon in the contracts. This will add a feeling of certainty to our industry regarding the sale of the entire planned amount of goods.

#### International Cooperation as a Source for Increasing the Efficiency of Trade

The experiences of 1981 fully confirm the justness of moving in a growing proportion from the conclusion of contracts for current trade activities to actions for cooperation and specialization in production and to long-term contracts that will give a guarantee of getting raw material supplies and of finding exports for equipment and installations by building projects "on-site" or by delivering technological equipment and complex installations for such projects, which will incorporate our own designs and creativity to a higher degree.

The contracts concluded for the construction of cement factories in Iraq, Egypt, Pakistan and China, refineries or oil facilities in Syria, Turkey and Pakistan, and the irrigation projects in Syria and Iraq, as well as the construction of ports, highways and civil and social-cultural buildings, are several representative examples of actions that contribute to a higher use through exports of certain equipment and machinery over a long-term period. This will be continued and expanded in contracting actions in the coming period, with favorable results with regards to ensuring export contracts for 1982 and the coming years.

The growing importance of foreign trade and international economic cooperation makes it an objective necessity to continue to make improvements in 1982 in this field with regards to the new economic-financial mechanism, a mechanism that has had all the necessary conditions created during the current five year plan for its full operation in all its complexity. The measures to improve the new economic-financial mechanism will be combined with the fuller implementation of the provisions in the Law regarding the strengthening of worker self-management and financial and hard currency self-administration in foreign trade and international economic cooperation activities. This will be done through the pursuit of achieving an active trade balance and a balance of payments that will offer the opportunity to obtain hard currency resources for all imports and to reduce a portion of the foreign debt.

For 1982, the fund of goods slated for export was distributed, first of all, in order to repay a portion of the foreign debt and to provide the hard currency resources needed to ensure the import of raw materials and basic materials, with the difference being used for other imports. This splitting of exports will increase the responsibility of all these enterprises that produce goods for export or receive imports to fully achieve the export plan since only to the degree in which they fulfill their tasks in the sole national economic-social development plan can they obtain imports and ensure the continuity of production.

The balance between receipts and payments, as regulated by the balance sheets completed by the ministries, centrals and enterprises, is completed by the placement of the goods by regions and countries in such a way so as to obtain the hard currency resources needed to import and repay installment debts.

In this activity, we persistently make efforts so that the imports of raw materials will be principally coming from the developing nations, using the especially favorable conditions created by high-level visits to these nations and the much greater opportunities to cover these imports by making deliveries of machinery, equipment and other goods in the export plan. These efforts directly contribute to balancing commercial trade with all countries as an essential element of achieving an overall balance of payments.

Ensuring the uninterrupted flow of supplies of raw materials to our industry is based upon preparatory actions for 1982 and, first of all, upon a more accentuated use of raw material resources from domestic sources, including by means of a fuller use of recovery processes for such products and by receiving imports from the socialist countries - in accordance with the long-term trade agreements and, on the basis of these, the annual agreements in the process of being finalized and signed, while the remainder of the flow will come from imports that are contracted from other countries.

The amplification and diversification of commercial trade with the CEMA member countries and with the socialist countries, a problem emphasized within the framework of the proceedings of the recent plenary session of the RCP Central Committee, represent an essential direction for the activities that are carried out in the field of foreign trade in preparing the conditions necessary to achieve the 1982 export and import plan. The conclusion of foreign contracts, trade balance sheets and payment balance sheets by ministry, central and enterprise represents essential factors that will create the conditions for the fulfillment of the foreign trade plan. The effective achievement of these provisions requires the presentation of goods on the foreign markets within the outlined timeframes contained in the contracts and within the technical parameters and in a form of presentation that will directly lead to the affirmation of Romanian products, right alongside the products presented by the competition, and to the continued improvement of their position and competitiveness. To this end, the preparation of next year's export plan includes a continuing development and furthering of the process of specialization for export, with new units being named in 1982 as specialized exporters so that the great majority of foreign deliveries will be made by enterprises specializing in exports. Also, the ministries that have foreign trade activities will firmly work in accordance with the program established for supplying these enterprises on a priority basis with equipment and devices and for staffing them with the best specialists and giving them an appropriate level of supply. Beginning with the experience to date and the provisions of the law on foreign trade, these measures involve both the enterprises that deliver goods for export and those that contribute as sub-contractors to the making of the finished product, especially in the field of machine building. The priority equipping and supply of the producer units involved in exports is correlated with regards to material incentives by the law on foreign trade concerning the awarding of supplementary bonuses from profits, the distribution of a portion of the hard currency obtained by overfulfilling the export plan and so forth.

The actions to prepare the conditions necessary to achieve the foreign trade and international economic cooperation tasks in 1982 call for, at the same time, the development and improvement of the foreign sales network, service and technical assistance network, the improvement of the acceptance of goods slated for export, the strengthening of responsibility for the quality of these goods, a better organization of the foreign trade enterprises and other measures that overall will contribute to increasing efficiency and to increasing the contribution of foreign trade to the overall development of the national economy at the rates and in the proportions established by the Directives of the 12th RCP Congress.

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CSO: 2700



## NECESSITY FOR FINANCIAL EQUILIBRIUM, RESOURCE ECONOMY

Bucharest REVISTA ECONOMICA in Romanian No 50, 11 Dec 81 pp 9-10

[Article by Gh. Boulescu of the Ministry of Finance: "Requirements for the Efficient Use of Economic-Financial Methods"]

[Text] The economic-social development of our country and the attainment of a new quality in all activities urgently require the proper functioning of the economic-financial mechanism and the appropriate growth of the role of financial methods in the management of the economic processes. In this regard, there continues, however, to be a series of serious shortcomings, as was pointed out at the recent plenary session of the RCP Central Committee and the Supreme Council of Economic and Social Development. Beginning with this situation, the plenary session identified for those who work in the financial-banking field a multitude of responsibilities and established clear guidelines, especially with regards to the achievement of incomes, the strict review of expenditures, the elimination of waste that has appeared in many fields, the ensuring of a full balance in the realm of payments and the general growth of the role of the financial system in controlling all economic-financial activities.

In comrade Nicolae Ceausescu's speech at the plenary session, it was pointed out very clearly that a priority requirement for the proper operation of economic-social activities and for the continuing improvement in the people's material and spiritual well-being is ensuring a balanced budget, with a certain surplus. Clearly, the complete fulfillment of the provisions of the 1982 sole national economic-social development plan and the firm implementation, in all fields of activity, of the requirements of the new economic-financial mechanism constitute essential elements for concluding next year's financial activities with good results. The firm implementation of the economic-financial mechanism involves adhering to numerous requirements, which individually and together have a well-defined role in the most efficient conduct of economic-social activities. Of especially current relevancy are the problems of balanced finances, of achieving savings and of eliminating waste, whose aspects we will examine below.

## Balanced Finances - A Condition of Self-Administration

In order to establish and pursue balanced finances by field of activity or in payments, specific instruments are used, such as: the centralized financial plan, the state budget, credit plans, the balance sheet for foreign payments and the budget of incomes

and expenditures in each unit, central, ministry or county people's council. Ensuring balanced finances at each of the levels (macro- or microeconomic) or in the mentioned instruments means having more income than expenditures and having the resources of a surplus for unforeseen needs.

The general requirements of balanced finances principally involve:

- the establishment of levels of incomes, expenditures and resources and the destination and sources of these under conditions of maximum efficient and in accordance with current and future possibilities and with the economic-social activities carried out, both by volume of resources and expenditures and by structure;
- the management of activities under the conditions of the established financial balance, with attention upon the negative aspects that occur during implementation and with direct actions that are designed to consolidate the established financial balance, both in the present and in the future periods;
- the conclusion of activities for each period with savings in expenditures, under conditions of fulfilling and overfulfilling planned tasks; the achievement of tasks by using a restricted volume of financial resources; the creation of surplus reserves stemming from additional incomes and cuts in expenditures.

While these requirements are general ones for establishing and pursuing balanced finances in activities, regardless of the sphere where they are implemented, we must also keep in mind that between balanced finances at the macroeconomic level and those at the microeconomic level there are elements of mutual interference, determination and influence. At the same time, this points out on a priority basis the fact that a decisive factor for carrying out overall activities under conditions of balanced finances is the achievement of balanced finances at the level of all economic units, enterprises and centrals, both in the volume of resources and expenditures and in structure.

Under the conditions of economic-financial self-administration and self-financing, the financing of investment activities and material and other resources involves the enterprises' own funds, which are created from their profits. The failure to achieve planned profit levels creates problems in providing resources for investments and material and other expenditures outlined in the plan, and a financial imbalance at the respective enterprise. Certainly, the problem can be resolved by getting approval for certain supplementary bank loans which involve the use of other resources and the growth of the enterprise's expenditures to pay interest to the banks. On a macroeconomic level, these resources are obtained from another source.

The failure to meet obligations to the state and to the state budget, through payments planned in the budgets of incomes and expenditures of each state or cooperatist economic unit, because of an unsatisfactory economic performance, is reflected in a shortage of funds in the centralized fund and implicitly has effects upon the financing of certain planned actions.

Situations sometimes appear at certain enterprises involving greater levels of expenditures than levels of their own incomes, which means losses in material and financial resources that have to be covered by using future unit funds or funds from other sources. This leads to a financial imbalance at the unit and a disruption of balanced finances overall generated by supplementary expenditures and the temporary use of financial resources to cover them.

Certainly, the number of situations with negative influences on balanced finances can be numerous and they are generally brought about by the failure to achieve plan tasks and by the poor management of material and monetary resources. It is important for such situations to be uncovered and resolved through firm actions by the management organs in each unit.

The problem of having balanced finances by volume and structure has special importance for carrying out activities under conditions of maximum efficiency. The relationship between incomes and expenditures, resources and recipients, when viewed as volume, determines the level of efficiency of the activities that are carried out. This relationship must be judiciously analyzed, thought out and established during the phase of drawing up the plan, but it must also be thoroughly analyzed after each period of implementation.

From a mathematical and accounting point of view, balanced finances at the macro- or micro-economic level in the sense of equality between receipts and payments and between resources and recipients are achieved even under the conditions of an economic activity below the level of efficiency established in the plan, but with deviations in the structure and even in volume, both which in fact reflect an unsatisfactory economic or financial activity. Thus, for example, an enterprise that does not cover its expenditures from its own incomes actually makes up the difference by using bank loans that cannot be reimbursed or by using means other than the ones outlined in the plan. This constitutes an ad hoc solution since sooner or later it will have to face its responsibilities for covering the expenditure overruns during the current stage by using its future incomes.

At the enterprise level with regards to both the planning and the execution, the problem of balanced finances can be concretely regarded from the point of view of its overall economic-financial activities, as well as by areas of activities, in the following manner:

- incomes, expenditures and the results of its own economic activities;
- resources and recipients for material and financial resources;
- resources and expenditures for investments;
- resources and expenditures for other funds having special destinations, as created for the enterprise's use.

With regards to the incomes, expenditures and results, the requirements for carrying out activities under conditions of balanced finances call for each enterprise obtaining an increased volume of profits, depending upon the economic potential of

the enterprise. The profits that are obtained must provide for creating its own funds for economic-social development and funds to be used as material incentives for the workers' collectives, as well as contributions to the state's centralized fund. Any negative deviation during execution from the plan regarding volume, structure, order and destinations of the profits creates problems either in the failure to provide resources for self-financing or in the failure to make payments to the state's centralized fund which is used to cover other costs in the economy.

Adherence to the planned balance with regards to resources and the level of stocks of materials and other items of a material and financial nature, under conditions of staying within the planned levels of turnover of material and financial resources, constitutes a main objective in carrying out activities under conditions of balanced finances. The use of financial resources over planned levels that involve shortfall loans and the use of resources to make payments that are in arrears, caused by having stocks of materials and other resources that are above the necessary levels, constitute serious deviations in the structure and volume of planned resources and balanced finances, with negative effects upon the expenditures of the enterprise and its results. To manage investment activities at the enterprise level, under conditions of balanced finances, primarily means pursuing the acquisition of the resources outlined in the plan for achieving the planned volume of investments, avoiding making any expenditures that are above the provisions in the plan and providing the resources necessary to make the installment payments on those bank loans obtained during previous periods. Any disruption in implementation, in the volume and structure of resources and expenditures for investments at the enterprise will also implicitly provoke disruptions and deviations in the financial balance of other units, as well as in the structure of the balanced finances at the macro-economic level.

The same implications and effects can also occur in execution with regards to incomes and the spending of funds that have special destinations and that are available to the enterprise or with regards to export tasks. In cases where the enterprise has a hard currency receipts plan, negative deviations with regards to the provisions of this plan implicitly effect the overall hard currency balance, including the financial balance.

The more efficient use of instruments to establish and pursue balanced finances at the microeconomic level, that is, the budgets of incomes and expenditures, as well as at the macroeconomic level by using financial plans to determine negative deviations from the planned volume and structure of the balanced finances, for the purpose of identifying the necessary measures, constitutes a requirement for the more intensive use of financial methods for the management of economic activities.

The periodical analysis by the collective leadership organs of the enterprises, centrals and ministries of the manner of carrying out the budgets of incomes and expenditures and the establishment of measures to adhere to balanced finances constitute an improved method of using finances in management activities. The financial-banking organs and the specialists in the field of finances at each unit can and must contribute to this action.



## Strictly Setting the Size of Expenditures

There is a close connection between the resources slated for our country's economic and social development and the task of achieving savings in the consumption of materials, funds and manpower. Any savings in expenditures leads to a supplementary financial resource.

The achievement of savings and the elimination of waste can be obtained in all cases where expenditures are made and financial resources used. This objective is valid for all units and all organs participating in the economic and financial processes. Staying within the planned levels of expenditures constitutes a basic requirement.

In the case of economic units in industry, state agriculture, construction-assembly, and transportation, where tasks were established to make savings through the sole national plan, staying within these levels and taking all necessary measures to achieve the savings at the planned levels are principal objectives for next year. For the units in the other branches of the economy, the efforts to reduce expenditures in 1982 compared to 1981 must show a substantial increase in the level of profitability and an increase in profits.

The elaboration of programs of measures to reduce costs, to stay within the established levels, to discuss them in the workers' collectives and to carry out sustained actions in order to achieve the outlined objectives is a measure that must ensure the achievement of the planned incomes in 1982.

Actions for the economical use of resources can also be undertaken in the area of using funds for investments. It is sufficient for us to keep in mind that an increased volume of investments for on-going and unfinished projects, of equipment to be assembled but sitting in stock beyond the timeframe when it should be at the worksite, and of immobilized resources in debts, materials and other items constitutes an uneconomical use of resources for investments and a withdrawal of these resources from other destinations.

Exceeding the total planned level of material and financial resources or elements, using to this end certain bank loans beyond the planned level and other resources over planned amounts, and slowing the turnover rate of material and financial resources implicitly lead to the unjustified squandering and use of certain financial resources for supplies above the necessary amount, for unfinished production beyond deadlines and for production without ensured sales. Avoiding such situations and accelerating the rate of turnover of material and financial resources constitute savings of financial resources and are designed to consolidate overall balanced finances.

The possibilities for achieving certain material and monetary savings are, without a doubt, very diverse. In making better use of them, an increased contribution must be made by - in addition to all other workers - the personnel in the field of finances and banking through the more intensive use of economic-financial methods.

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FEDERAL FUND TO AID UNDERDEVELOPED REGIONS PLANS FOR 1981-1985

Belgrade RAD in Serbo-Croatian No 49, 4 Dec 81 pp 10-11

[Article by Stanimir Bozanic: "Three Hundred Factories 'as a Gift'"]

[Excerpt] Recently the key officials of the Yugoslav Economic Chamber and the Federal Fund for Credit Financing the Faster Development of the Underdeveloped Republics and SAP [Socialist Autonomous Province] Kosovo displayed with gratification a list of 327 projects in a special press conference in Belgrade. The list also included 327 work organizations which want to build joint economic facilities. This includes more than 300 new factories which would be "donated" to underdeveloped places in Montenegro, Kosovo, Macedonia and Bosnia-Herzegovina!

The assessment of work organizations during this 5-year period will amount to about 227,855,000,000 dinars, half of which will be credited to the Federal Fund and will be distributed at adjusted rates, while the work organizations will be able to retain the other half, provided they invest those funds in certain joint facilities in an underdeveloped area.

The principal motivation for building joint factories is to augment income and to increase employment. This has been regulated by specific enactments of all the republics and provinces.

Reverse Order

Certain ideas about the joint ventures and about sharing "the good and the bad" have already been realized. "Ljubljana" drugs are being produced in Prizren, "Zagreb" refrigerators in Bitola, and "Slovenian" orchards are growing in Tuzla.... A considerable number of jointly owned hotels are gleaming on the coast, and it is enough to say of Slovenijavino's vineyards all over the mountainous slopes of Kosovo and Macedonian and Negotino wineries that their harvest runs to hundreds of cars.

Nevertheless, those are all trial balloons. The opening up of joint production capacities is yet to come, since the sequence has been reversed: instead of initiatives and strict directives from government and public organizations, the proposals are coming from the work collectives themselves.

Emin Dobardzic, member of the Presidium of the Yugoslav Economic Chamber, explained this heightened interest of the "rich" in knocking on the door of the "poor" in this way:

"In Slovenia, for example, there are a large number of workers from the other republics and from Kosovo. This is helping the economy there, but at the same time it is creating certain difficulties of a social nature because the workers are separated from their families, and in order that workers from Bosnia-Herzegovina, Macedonia and Kosovo do not go off to work in Slovenia in such large numbers, the Slovenians will join with work collectives in those places in building several factories in the underdeveloped opstinas. Some will find their business in the locality, while others will get a diversified production program."

During the numerous conversations which representatives of the fund and the Yugoslav Economic Chamber have had with the people from republic and provincial chambers it has become evident that the work collectives are not aware of all the things that could be built by pooling labor and the dinar appropriated for development.

#### Rapprochement

The sheer number of republic and provincial enactments has only helped even more to envelop this entire field with a "still denser fog," so that in many collectives people have become convinced that setting aside money for faster stimulation of the underdeveloped is only one of the numerous taxes and contributions whose expenditure is not worth even thinking about!

The need arose, then, for all the working people to be informed in more detail so as to correct that error, and a terse report was prepared in which data were presented on regulations and on the schedule of their enactment as well as on the possibilities of pooling with particular collectives in all the republics and provinces.

Large work organizations like Crvena Zastava of Kragujevac, the Zenica Steel Mill, Energoinvest of Sarajevo, or Rade Koncar of Zagreb, for example, have found it in their interest to build new plants or expand existing ones in many undeveloped opstinas. This became evident as soon as plans for the necessary expansions were compared; in the large cities there often were not even the most basic conditions, beginning with land for construction, the supply of raw materials, housing and classroom space for new workers....

Stimulating investors to come on the spot had to begin, however, with an "opening up" of the policy of the host cities, since the practical attitude that it was undesirable to have "outside interference" had become quite entrenched. Buildings born out of romanticism on which huge funds which might have been spent to increase production were spent stand as witnesses of that harmful policy.

#### Resistance

There is still verbalism in that sense since many underdeveloped opstinas have not "settled the question" of whether to build projects which will bring about faster employment of new workers and overall development or to build a superautomated factory with a large number of instrument panels....

There are cases of resistance in other forms as well, though to be sure, not open. It is enough for an agreed visit of business people from some republic or Vojvodina to be canceled, and the entire transaction gets held up.

Several examples similar to what recently happened between Novi Sad and Titograd were presented in the Yugoslav Economic Chamber. Namely, after a conversation between representatives of the executive councils of Montenegro and Vojvodina a visit was made to Novi Sad by a delegation of the Montenegrin Economic Chamber, and Montenegro's development program was set forth on that occasion. It was then resolved that the people from Vojvodina would study their own development plans and would pay a visit to Montenegro. However, the people from Vojvodina have not yet visited Montenegro, though the visit was to be made by September.

### Breaking the Ice

The developed and undeveloped mainly spent this past 5-year planning period "feeling each other out." The worthwhile lessons to be drawn from both the adverse and constructive experiences speeded up the breaking of the "ice," and many new foundations have already been laid. There is no question that the number of new projects to be built is far greater. Thus this 5-year period will be characterized by the transition from words to deeds. Here are some specific examples:

SR [Socialist Republic] Bosnia-Hercegovina will be host to individual investors and investment groups from several republics and both provinces.

Montenegro will have cooperation between its aluminum combine and Energoinvest's factories, between the Niksic steel mill and UNIS-Bratstvo, between the radiator factory in Danilovgrad and corresponding producers belonging to Energoinvest, and between the Ivangrad Opstina Assembly and certain metal manufacturers in Bosnia-Hercegovina.

Croatia will make its contribution to development through Djuro Djakovic in Slavonski Brod, which will build joint projects in Orasje, Sarajevo, Bosanski Brod, Pucarevo and Bosanski Novi.... Rade Koncar of Zagreb will be investing millions of its funds in Banja Luka and in Soko of Mostar, and Prvomajska of Zagreb will be investing in Rudi Cajavec of Banja Luka, the Trebinje Tool Factory and Pobjeda in Tesanj. There are still longer lists of joint projects which will be carried out by INA, the Sisak Steel Mill, Jugokeramika, Pliva, Jugoplastika, Poljoopskrba, Tomo Vinkovic, Janko Gredelj and other work organizations.

Macedonia will show the community spirit in development of its economy through linkage between the steel mill in Skopje with Soko of Mostar and Jelsinograd of Banja Luka, and then of steel manufacturers with the Zenica steel mill, and metal manufacturers in Ohrid, Zletovo and Prilep with factories of Energoinvest and UNIS at several locations.

Slovenia has still more ambitious plans. The steel mills at Store and Jesenice will develop joint facilities in Bihac, Zenica, Ljubija, Mostar and certain other places, while Gorenje, TAM, IMV, Iskra, Jelovica, Termika, Merkator, Emona and certain other collectives will contribute to the faster development of

related activities in Mostar, Bihac, Bijeljina, Banja Luka, Kotor-Varos, Srebrenica, Tuzla, Sarajevo....

Serbia has already "forded" the Drina at several places with plants linking Smederevo with Lukavac, Belgrade with Laktas, Leskovac with Zenica, Mostar with Sevojno, Sapac with Srebrenica, Bajina Basta with Skelane, Kragujevac with Pucarevo, Banja Luka and Mostar, Krusevac with Hrasnica, Priboj and Sarajevo, Bor with Banja Luka, Svetozarevo with Tesanj, and Belgrade with Tesanj, Banja Luka, Tuzla and Zenica....

Kosovo will stimulate development of certain facilities which will be processing lead and zinc in Bosnia-Herzegovina.

Vojvodina will be investing additional funds in development of the production of tools in Prijedor, trailers with dump bodies in Brcko, trailer vehicles in Bihac and to expand the spark plug factory in Tesanj. The principals involved will be the well-known Vojvodina industrial firms Utva, Potisje, Naftaplin, the Pancevo refinery and certain others.

SR Montenegro will be host to investors in development of tourism, wood manufacturing, livestock raising, paper pulp, the aluminum complex and metallurgy.

Slovenia will be investing funds in construction of the Otrant hotel complex in Ulcinj, in production of special electrodes at Pluzine, yogurt at Bijelo Polje and furniture at Niksic, Kolasin and Titograd. Particular importance is being paid to establishing joint vineyards on 1,000 hectares belonging to the 13 Juli Agricultural Combine in Titograd.

Croatian work organizations, mostly in the food manufacturing industry--Kras, Podravka, Poljoopskrba, Baranja and certain others--will be producing and processing food jointly with 13 Juli, Primorka of Bar, Trebjesa in Niksic and Bjelasica in Bijelo Polje.

Serbia will aid development of metal manufacturing. IMT in Belgrade will be financing the production of trailers in Ivangrad, and Kablovi of Svetozarevo will be opening a plant in Kolasin for the production of aluminum-steel cable, Termogas of Belgrade will be manufacturing technical gases in Niksic, and P. M. J., IMR and Dinara of Belgrade will be expanding production of slide bearings in Kotor, while an industry will be developed in Pljevlja to carry out a special-purpose program for certain specific industries.

Kosovo could be developing cooperation in the processing of lead-zinc ore mined at Suplja Stijena near Pljevlja, on which agreements have been reached, but performance of these projects has been held up because of Trepc'a's withdrawal. Another important project will be carried out by "transferring" rubber industry technology from Suva Reka to Boka of Kotor.

Vojvodina offered cooperation in several fields a few years back, but thereafter it was slowly and quietly abandoned. At the moment initiatives have again been taken, but there are no concrete results as yet.



SR Macedonia is oriented mostly toward the economy of Slovenia, and toward Croatia and Serbia to a somewhat lesser extent.

Slovenes will in Macedonia be furthering the development of metallurgy (ferrous and nonferrous), nonmetallic minerals, and the production of leather and footwear, textiles and agricultural products. Vozila of Gorica will be investing funds in production of refrigeration equipment for special vehicles at the parent plant in Bitola; the textile industry in Maribor and Ljubljana will be expanding certain plants of OHIS in Skopje, while the footwear factories Ciciban in Miren and Ilinden in Ohrid have expanded production with joint capital.

For several decades Slovenian factories have been processing grapes and tobacco from the fields of Macedonia, and this production will also be advanced through expansion of production and processing facilities.

SAP Kosovo has opened its doors widest to work organizations from other regions, beginning with the processing of lead, zinc, gold and silver and running to the boiling up of medicinal herbs from Sar Mountain; from the production of wine and beer to supplying components for electric motors, automobiles and heavy metal fabrications. The Kosovo economy has been confirming year after year the justifiability of the investment of funds. There is hardly a federal unit any longer which does not have "its own" OOUR's [basic organization of associated labor] in Kosovo.

Bosnia-Hercegovina has transferred development of the rolling element bearer industry to Pristina, and Pristina shock absorbers are already being installed in the Golf, which is manufactured in Sarajevo, and expansion of that industry will also contribute to augmented exports. Zenica is already pushing the production and processing of nickel in Kosovo. Vatrostalna of Zenica and Soko of Mostar are building their twins in Glogovac and Goles, and Elektrobosna in Jajce is quickly carrying out a program for the manufacture of ferrosilicon at Kosovska Kamenica.

Montenegro is interested in building a joint plant that would be part of Trepca.

Business people in Croatia are engaged in community cooperation in metal production and manufacturing. Djuro Djakovic has obtained a site and support for developing a plant in Urosevac, steam boiler manufacturers in Zagreb will soon expand that activity to Prizren as well.

Kromos of Zagreb will be processing Trepca's products in Vucitrn as well as Zagreb, while INA will be conducting geological explorations in Kosovo in order to round out the geological map of that province.

Serbia has already gained considerable experience in cooperative production with the Kosovo economy. Aside from Crvena Zastava, Gosa and the Machinebuilding Industry of Nis, which has been in Kosovo more than 10 years, there is large-scale involvement in joint development for the production of electrical devices in Djakovica and Urosevac, polyester in Podujevo, power engineering equipment on the basis of Minel's program, tinplate (Zorka of Sabac), and so on.



Aside from the production of metal and chemical goods, the large Belgrade department store and food store chains Beograd and Centroprom will build a food manufacturing plant in Kosovo.

Slovenia also has considerable "longevity" in its joint production with Kosovo factories. It will be joining Kosovo in developing the production of energy; in this case the designers have looked all the way to the year 2000. The list of both present and planned cooperation is truly interesting, since almost all the large Slovenian work organizations are on it: Slovin, Emona, Gorenje, Lek, Kompas....

Vojvodina on the other hand has certain practical experience in joint production of drugs, commercial fertilizers and certain other products in the Trepca family.

Of greatest interest at the moment are construction of a factory in Gnjilane which would manufacture housing units; this would be carried out by the 1 Maj Construction and Industrial Combine in Backa Topola with Ramiz Sadiku of Prishtina and Binicka Morava of Gnjilane. Utva of Pancevo is already finishing a program for production of collapsible prefabricated structures, and 29 Novembar of Subotica will be manufacturing typical Kosovo meat dishes in Kosovo.

#### [Box, p 10] Billions in the Balance

Over the 5 years (1981-1985) the Federal Fund will collect about 114 billion dinars, and work organizations will be left the same amount to invest in a project and in the underdeveloped region they choose, in accordance with a proportional allocation already established. The developed republics and Vojvodina will have a share of 77.5 percent of those revenues, while the underdeveloped will collect the remainder.

The table below shows those billions in the balance: where they will come from and where they will go:

In millions of dinars

Obligations of SR's and SAP's	Total	Share in Distribution			
		Bosnia- Hercegovina	Montenegro	Macedonia	Kosovo
Bosnia-Hercegovina	15,152.3	4,222.7	1,940.4	2,980.8	6,458.4
Montenegro	2,050.7	571.5	201.7	403.4	874.1
Croatia	29,849.5	8,318.5	2,936.0	5,811.9	12,722.6
Macedonia	6,493.9	1,809.8	638.7	1,227.5	2,767.9
Slovenia	18,228.4	5,080.0	1,793.0	3,585.9	7,769.5
Serbia proper	28,481.9	7,937.5	2,801.5	5,603.0	12,139.9
Kosovo	2,620.3	730.2	257.7	515.5	1,116.8
Vojvodina	11,051.0	3,079.8	1,087.0	2,174.0	4,710.3
Total	113,927.5	31,750.0	11,206.0	22,412.0	48,559.5
%	100	28	9	20	43

The table shows how much each republic and province is individually setting aside for each underdeveloped federal unit. It also shows how their development dinar is circulating.

Of all the 327 projects which are "in the net," 152 involve Bosnia-Hercegovina, 40 Montenegro, 31 Macedonia and 104 Kosovo.

[Box, p 11] Regulations

The socialized economy as a whole is required to set aside 1.83 percent of its gross income in this 5-year period as well, half of which it must credit to the Federal Fund (which thereafter is distributed in fixed proportions), and half they can invest directly as a part of the joint contribution in some underdeveloped area.

Of the latter portion 0.33 percent (applied to gross income) is immediately assigned to Kosovo as a special stimulus to development. The remaining 1.5 percent is distributed in the following proportions:

Bosnia-Hercegovina	34 percent	Macedonia	24 percent
Montenegro	12 percent	SAP Kosovo	30 percent

If the funds are lumped together, then Kosovo's share is 43 percent, that of Bosnia-Hercegovina 28, that of Montenegro 9 and that of Macedonia 20 percent.

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